



## Press Release

### Sharp Agricom Limited

**March 10, 2025**

#### Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term/Short Term Bank Facilities	15.00 (reduced from Rs. 17.10 crore)	IVR BBB-/Stable; IVR A3 (IVR Triple B Minus with Stable Outlook; IVR A Three)	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	Rating reaffirmed/ assigned*	<a href="#">Simple</a>
<b>Total</b>	<b>15.00</b>	<b>(Rupees Fifteen crore only)</b>			

*\*The long-term facilities amounting to Rs. 17.10 crore has been closed as per No Dues certificates received from the concerned banks and the proposed facility has been reclassified as long term / short term in the current rating review.*

**Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.**

#### Detailed Rationale

Infomerics Ratings has reaffirmed its rating to the bank facilities for the long-term to IVR BBB Minus with Stable outlook and assigned IVR A3 to the short-term facilities of Sharp Agricom Limited (SAL).

The ratings continue to draw comfort from experienced promoters along with favourable demand for rice and location advantage with proximity to key rice growing belt of the country. The ratings further draw support from comfortable financial risk profile, stable scale of operations and improvement in profitability margins in FY24. However, these rating strengths are partially offset by intense competition in the industry along with susceptibility to agro-climatic risks and changes in Government regulations. The rating further remains constrained due seasonal nature of availability of paddy resulting in working capital intensive nature of operations

The Stable outlook indicates a low likelihood of rating change over the medium term. Infomerics Ratings believes that the SAL business & financials risk profile will be maintained over the medium term on account of sustained demand for the products which is expected to maintain a stable revenue stream and comfortable financial risk profile.

Infomerics Ratings has principally relied on the standalone audited financial results of SAL up to 31 March 2024 (refers to period April 1st, 2023, to March 31st, 2024), and projected financials for FY2025 (refers to period April 1st, 2024, to 2 March 31st, 2025) - FY2027 (refers



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to period April 1st, 2026, to March 31st, 2027), and publicly available information/ clarifications provided by the company's management.

### **Key Rating Sensitivities:**

#### **Upward Factors**

- Significant and sustained growth in scale of business with further improvement in profitability metrics, with EBITDA margin more than 7% on sustained basis resulting in overall improvement in cash accruals and liquidity.
- Improvement in debt protection metrics, leading to interest coverage ratio more than 2.5x on sustained basis.

#### **Downward Factors**

- Dip in operating income and/or profitability thereby impacting the debt coverage indicators and/or any deterioration in the financial risk profile.
- Any significant rise in working capital intensity or unplanned capex leading to a deterioration in the liquidity position.

### **List of Key Rating Drivers with Detailed Description**

#### **Key Rating Strengths**

- **Experienced promoters**

The company is promoted by Mr. Sanjay Singhal who is having more than three decades of experience in the rice milling business along with strong understanding of local market dynamics. He is assisted by Ms. Vidhi Goel and Mr. Mukesh Yadav who are having more than two decades of industry experience. This has resulted in a strong relationship with its customers and suppliers which will continue to benefit the entity in future as well.

- **Favourable demand for rice and location advantage with proximity to key rice growing belt of the country**

Rice being a staple diet in the Asian region, its demand prospects remain favourable. India accounts for second largest rice producer and consumer in the world. The company's processing plant is in Madhya Pradesh which counts amongst the key rice



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growing regions of the country entailing location advantage with respect to the key raw material availability of paddy, lower freight and favourable pricing terms.

- **Comfortable financial risk profile**

Overall gearing ratio of the company remain comfortable at 0.61x as on March 31, 2024; improved from 1.10x as on March 31, 2023, mainly on account of lower utilisation of working capital bank borrowings. The total indebtedness of the company as reflected by TOL/TNW improved from 1.15x as on 31-Mar-23 to 0.82x as on 31-Mar-24. The debt protection metrics remained moderate marked by Interest Coverage Ratio of 3.81 times in FY24 (FY23: 2.12x) and DSCR at 3.66x in FY2024 as compared to 2.07x in FY23 as a result of increase in GCA. Debt to NCA improved to 3.37 years in FY24 as against 16.02 years in FY23 due to decline in debt on account of lower utilisation of working capital bank borrowings and increase in GCA.

- **Stable scale of operations and improvement in profitability margins in FY24**

The total operating income of the company has remained stable at Rs.205.04 crore in FY24 as against Rs. 200.22 crore in FY23 due to increased sales volume and higher average sales realisation supported by sustained demand for rice from customers. The profitability margins marked by EBITDA margin significantly increased by 365 bps and stood at 6.88% in FY24 as compared to 3.23% in FY23 on account of decrease in cost of raw material consumed as well as nil expenses for balances written off, rebates, claims, and discounts, which amounted to Rs. 2.21 crore in FY23. PAT margin increased by 290 bps and stood at 3.60% in FY24 as against 0.70% in FY23 in line with the EBITDA margin.

### A. Key Rating Weaknesses

- **Intense competition in the industry**

The fragmented nature of the rice processing industry results in stiff competition, due to limited value addition, and consequent low entry barriers, limiting the pricing flexibility of players in the industry.



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- **Susceptibility to agro-climatic risks and changes in Government regulations:**  
The rice milling industry is susceptible to agro-climatic risks, which can affect the availability of paddy in adverse weather conditions. Any fluctuations in supply, in turn, expose the company to price volatility risks. Moreover, changes in the Government regulations pertaining to the rice industry can impact the industry dynamics.
- **Seasonal nature of availability of paddy resulting in working capital intensive nature of operations**  
The operations of the company are working capital intensive as reflected in its operating cycle of 72 days as in FY24. The inventory holding period stood at 36 days in FY24, compared to 44 days in FY23. As an agro-based business, the procurement of paddy is seasonal, occurring primarily between October and December, resulting in high stock. The average collection period is 45 days (FY23: 41 days) and the average creditors period stands at 9 days in FY24 as against 1 day in FY23.

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Rating Methodology for Manufacturing Companies.](#)

[Criteria on assigning rating outlook](#)

[Policy on Default Recognition and Post-Default Curing Period](#)

[Complexity Level of Rated Instruments/Facilities](#)

[Financial Ratios & Interpretation \(Non- Financial Sector\)](#)

### **Liquidity – Adequate**

The liquidity position of the company is expected to remain adequate as the company expects sufficient cushion in its cash accruals as against its scheduled debt repayment obligation during the next 3 years. The current and quick ratio stood moderate at 1.95x and 1.11x, respectively, as on March 31, 2024. However, the company's average working capital utilisation has been high at ~89.99% for 12 months ending in November 2024. Nevertheless, liquidity is also supported by financial support from promoters and related parties in the form of unsecured loans. The unencumbered cash and cash equivalents stood at Rs. 1.81 crore as on March 31, 2024.



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### About the Company

Sharp Agricom Limited was incorporated in November, 2010 as Sharp Energy Limited. Later, the management changed its name to Sharp Agricom Ltd. in the year 2013. The company is engaged in rice milling and has commenced its operations in June 2015. The company has also started trading of pulses, along with its rice milling operations in FY25 and going forward. Its plant is situated at Mandideep in Raisen district of Madhya Pradesh and registered office is situated in New Delhi. The company belongs to New Delhi based Sharp Group having operations in the natural mint products through its group company Sharp Mint Ltd. The company is promoted and managed by Mr. Sanjay Singhal who is assisted by Ms. Vidhi Goel and Mr. Mukesh Yadav.

### Financials (Standalone):

(Rs. crore)

For the year ended/ As on*	31-03-2023	31-03-2024
	<b>Audited</b>	<b>Audited</b>
Total Operating Income	200.22	205.04
EBITDA	6.47	14.11
PAT	1.41	7.38
Total Debt	52.22	33.20
Tangible Net Worth	47.28	54.74
EBITDA Margin (%)	3.23	6.88
PAT Margin (%)	0.70	3.60
Overall Gearing Ratio (x)	1.10	0.61
Interest Coverage (x)	2.12	3.81

\* Classification as per Infomerics' standards.

**Status of non-cooperation with previous CRA:** Nil

**Any other information:** Not applicable

**Rating History for last three years:**





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Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024-2025)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					Jan 01, 2024	October 13, 2022	-
1.	Long Term/Short Term Bank Facilities	Long Term/Short Term	15.00	IVR BBB-/Stable; IVR A3*	IVR BBB-/Stable	IVR BBB-/Stable	-

*\*The long-term facilities amounting to Rs. 17.10 crore has been closed as per No Dues certificates received from the concerned banks and the proposed facility has been reclassified as long term / short term in the current rating review.*

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### About Infomerics:

Infomerics Valuation And Rating Ltd (Infomerics) [Formerly Infomerics Valuation and Rating Pvt. Ltd] was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information and definition of ratings please visit [www.infomerics.com](http://www.infomerics.com).

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### Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term/ Short Term Bank Facility – Proposed	-	-	-	-	15.00	IVR BBB-/Stable; IVR A3

### Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-sharpagricom-mar25.pdf>

**Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable**

**Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable**

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).