

Press Release

Sanskar Agro Processors Pvt. Ltd.

May 27, 2019

Ratings

Instrument/Facility	Amount (Rs. Cr.)	Rating Assigned
Long Term Fund Based Limits	23.50	IVR BBB-/Stable Outlook (IVR Triple B Minus with Stable Outlook)
Long Term Loans	15.64	
Long Term Non - Fund Based Facilities	1.50	
Total	40.64	

Details of Facilities are in Annexure 1

Detailed Rationale

The rating derives strength from experience promoters, comfortable profitability margin, strong debt protection, variety in product offerings, locational advantage and worldwide diversified customer base. The rating however is constrained by moderate scale of operations, high gearing levels, presence in a highly competitive industry, susceptible to fluctuations in cotton prices & government regulations and moderate working capital intensity. Growth in scale of operations & profitability, working capital management and gearing level are the key rating sensitivities.

List of key rating drivers with detailed description

Key Rating Strengths

Experienced promoters

Sanskar Agro Processors Pvt Ltd was incorporated in 2003, thus the company has a track record of around 16 years in this line of business. Mr. Pawan Singhania (Managing Director) has around three decades of experience in the textile industry. Recently, the promoter's sons, Mr. Ankit and Mr. Ayush joined the business. Experienced management has helped the company to maintain healthy and long standing relations with the customers and suppliers.

Comfortable Profitability Margin

The company reported the EBITDA of Rs.11.58 crore on Total Operating Income of Rs.136.16 crores in FY18. EBITDA margins were moderate in the range of 7-9% during FY16-18. However, PAT margin was thin at 1.21% during FY18, which is increased to 2.51% in FY19.

Strong debt protection

Strong debt protection metrics marked by Interest Service Coverage Ratio at 3.13x and debt Service Coverage Ratio at 2.97x in FY18.

Variety in product offerings

The company has 4 divisions based production - Spinning, Ginning Pressing, Oil Mill and Dal mill unit. Thus the company is able to cater to different type of customers.

Locational Advantage

Manufacturing unit of the company is located in Rich Cotton Growing Region of Vidarbha (Maharashtra). Ginning & Pressing manufacturing process is simple and skilled workers are easily available in Wardha district & nearby places. No additional technical knowhow is required. The plant is located at Village: Wagaion (Ni) Distt. Wardha has all the infrastructures facilities like power and water. Labours are easily available, transportation facility is available. The promoters have well established commercial and social relations in and around Wardha District.

Worldwide diversified customer base.

The company has worldwide diversified customer base across Egypt, Portugal, Mexico, Peru, Korea, Vietnam, China, Turkey, Iran, Guatemala, Brazil, Bangladesh etc. It has a strong marketing network with around 15-20 dealers and agents.

Key Rating Weaknesses

Moderate scale of operation

Despite its long track record, Sanskar Agro Processors has a modest scale of operations with total operating income of Rs.136.16 Cr in FY18 and PAT of Rs.1.65 Cr. The revenue from

operations of the company has increased marginally by 0.12% in FY18, However, it is increased by 13.27% from Rs. 136.16 Cr FY18 to Rs. 154.24 Cr in FY19 (Provisional).

High gearing levels

The capital structure of the company remained stretched with the overall gearing ratio at 2.29x as on March 31, 2018. However, in FY19, it is decreased to 1.75x, indicating improvement in capital structure.

Presence in a highly competitive industry

The textile & Agro industry in India is highly fragmented with presence of many established players in the market. The company has to compete with established brands in the market. Further, there are several unorganised players in the industry. As a result, it has to work with high pressure on margins due to the highly competitive nature of the industry.

Susceptible to fluctuations in cotton prices and government regulations

Raw cotton prices are highly volatile in nature and are largely depend on factors such as area under cultivation, crop yield, international demand-supply scenario, export quota decided by the government and inventory carry forward of the previous year. Cotton being the major raw material of spinning mills, volatility in the prices of cotton impacts the profitability of the company.

Moderate working capital intensity

The operating cycle of the company has generally been in the range of 60 to 80 days during FY17 and FY18 due to relatively high collection period. Further, the company has to keep around 2.5 month's inventory in stock as a regular business practice.

Analytical Approach & Applicable Criteria:

Standalone

Rating Methodology for manufacturing companies

Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity

The company is earning a modest level of GCA and the same is expected to increase gradually with increase in scale of operation and level of margin, while the long term debt is likely to reduce indicating lower debt servicing obligations. Promoters have financially supported the operation of the business as and when required and the same is expected going forward and a part of which is reflected in increase in net worth on this score.

About the Company

Sanskar Agro Processors Pvt. Ltd. was incorporated in the year 2003 with its Works at Waigaon (Ni) Ta + Dist.: Wardha (Maharashtra) and Registered Office at Singhania House, Shiv Nagar, Wardha (Maharashtra). The Company is promoted by Mr. Pawan Ramgopal Singhania, Mr. Kailash Ramgopal Singhania with more than 25 years of experience in this sector. They are actively involved in the overall operations and day to day affairs of the company. The company is engaged in ginning and pressing units, it presses cotton into cotton bales, crushes seeds into seed oil and seed cakes, and makes cotton yarn, both combed and carded, for both knitting and weaving. The Company expanded into a Cotton Yarn Spinning Unit as Forward Integration and also with the Oil Extractions unit producing Cotton Seed Oil & Cotton Seed Cake, as Backward Integration.

Financials (Standalone) (Rs. crores)

For the year ended* / As On	31-03-2017 (Audited)	31-03-2018 (Audited)	31-03-2019 (Provisional)
Total Operating Income	136.00	136.16	154.24
EBITDA	12.56	11.58	14.00
PAT	0.74	1.65	3.87
Total Debt	51.44	49.71	44.53
Tangible Networkth	20.10	21.75	25.49
EBITDA Margin (%)	9.24	8.50	9.08
PAT Margin (%)	0.54	1.21	2.51
Overall Gearing Ratio (x)	2.56	2.29	1.75

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: NA

Any other information: N.A

Rating History for last three years:

Sl. No	Name of Instrument/ Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17
1.	Long Term Fund Based Limits	Long	23.50	IVR BBB- /Stable Outlook (IVR Triple B Minus with Stable Outlook)	-	-	-
2.	Long Term Loans	Long	15.64		-	-	-
3.	Long Term Non-Fund Based Facilities	Long	1.50		-	-	-

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.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company’s long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund Based Limits	May, 2014	10.35% 9.15%	01 Year On Demand	23.50	IVR BBB- /Stable Outlook (IVR Triple B Minus with Stable Outlook)
Long Term Loans	May, 2014	9.80% 10.45%	May, 2021	15.64	
Long Term Non-Fund Based Facilities	May, 2014	--	Upto 05 Years	1.50	