



## Press Release

### Sanskar Agro Processors Pvt Ltd

July 24, 2020

Sl. No.	Instrument/Facility	Amount (INR Crores)	Rating Assigned	Rating Action
1.	Long Term Bank Facility – Fund Based – Cash Credit	23.50	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	Re-affirmed
2.	Long Term Bank Facility – Fund Based – Term Loan	11.12 (Reduced from INR 15.64 crore)	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	Re-affirmed
3.	Long Term Bank Facility – Non Fund Based – Bank Guarantee	1.50	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	Re-affirmed
	<b>Total</b>	<b>36.12</b>		

#### Ratings

#### **Details of Facilities are in Annexure 1**

#### **Detailed Rationale**

The Rating continues to derive comfort from the experienced promoters, improving profitability and healthy debt protection metrics and locational advantage in term of proximity of plant to cotton growing areas. However, the rating strengths are partially offset by a moderate scale of operations, presence in a highly competitive industry and susceptibility to fluctuations in cotton prices and government regulations and moderate working capital intensity.

#### **Key Rating Sensitivities**

##### **Upward factors:**

- Significant increase in the revenue and profitability while maintaining the debt protection metrics.

##### **Downward factors:**

- Substantial decline in the revenue & profitability leading to sustained decline in the debt protection metrics



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### ***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.

##### ***Improving profitability & healthy debt protection metrics***

The absolute EBITDA of the company has increased to INR 9.72 crore in FY20 (P) from INR 8.03 crore in FY18 as the company saw in demand in the oil seed oil, the PAT improved to INR 3.18 crore in FY20 (P) from INR 1.67 crore, benefitting from the reduction in interest expenses. The company has 4 divisions based production - Spinning, Ginning & Pressing, Oil Mill and Dal mill unit. Enabling the company to cater to different types of customers. The company's operations started with a spinning unit and have now been backward integrated into ginning and oil Mill. The semi integrated nature of operations, and capabilities to manufacture coarse as well as fine counts of yarn, are one of the major factors driving profitability. The debt protection metrics of the company have improved with the interest coverage ratio improving to 3.60x in FY20 (P) from 2.95x in FY19.

##### ***Locational Advantage with plant proximity to cotton growing areas***

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



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facility is available. The promoters have well established commercial and social relations in and around Wardha District.

### ***Key Rating Weaknesses***

#### ***Moderate scale of operation***

Despite its long track record of the company the scale of operations have remained modest with total operating income of INR 151.61 crore in FY20 (P) from INR 141.93 crore in FY19 and PAT of INR 3.18 crore from INR 1.67 crore in FY19. The company has seen an increase in revenues as they have largely due to one-time increase in deemed exports in FY20 (P) amounting to INR 6.99 crore.

#### ***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 FY20 (P) due to relatively high collection period, the collection period has declined in FY20 (P) to 22 days from 40 days in FY19, although the Inventory days have increased to 68 in FY20 (P) from 65 days in FY19 which has been adding pressure on the working capital cycle.



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### Analytical Approach & Applicable Criteria

Standalone Approach

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

### Liquidity – Adequate

The liquidity is expected to remain adequate in the near to medium term as the company has adequate cash buffers with GCA amounting to INR7.04 crore as on FY20 (P), as against debt repayment of (CPLTD + Interest) amounting to INR3.62 crore, their interest expenses have also reduced due to scheduled repayment of term loans. The company has no major capex plans in the near future and they have a comfortable current ratio of 1.66x in FY20 (P).

### 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).

### Financials (Standalone)\*:

For the year ended/ As On	31-03-2018 (Audited)	31-03-2019 (Audited)	31-03-2020 (Provisional)
Total Operating Income	135.10	141.93	151.61
EBITDA	10.51	8.03	9.72
PAT	1.65	1.67	3.17
Total Debt	49.71	41.84	38.81
Tangible Net-worth	21.75	23.42	26.60
<b>Ratios</b>			
EBITDA Margin (%)	7.78	5.66	6.41
PAT Margin (%)	1.21	1.15	2.09
Overall Gearing Ratio (x)	2.29	1.79	1.46

\* Classification as per Infomerics' standards

**Status of non-cooperation with previous CRA:** Acuite Ratings in their press Release dated on December 31, 2019 have classified the case under Issuer Not Cooperating.



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Any other information: N.A.

Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (INR crore)	Rating	Date(s) & Rating(s) assigned in 2019-20 (May 27, 2019)	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Long Term Facility – Fund Based - Cash Credit	Long Term	23.50	IVR BBB- / Stable Outlook	IVR BBB- / Stable Outlook	--	--
2.	Long Term Bank Facility – Fund Based – Term Loan	Long Term	11.12*	IVR BBB- / Stable Outlook	IVR BBB- / Stable Outlook	--	--
3.	Long Term Bank Facility – Non Fund Based – Bank Guarantee	Long Term	1.50	IVR BBB- / Stable Outlook	IVR BBB- / Stable Outlook	--	--

\*Outstanding as on June 30, 2020

**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).

**Name and Contact Details of the Rating Team:**

Name: Rajath Rajpal

Name: Amit Bhuwania

Tel: (022) 62396023

Tel: (022) 62396023

Email: [rajpal@infomerics.com](mailto:rajpal@infomerics.com)  
[abhuaniania@infomerics.com](mailto:abhuaniania@infomerics.com)

Email:

**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



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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 (INR Crore)	Rating Assigned/ Outlook
Long Term Facility – Fund Based - Cash Credit	NA	NA	Revolving	23.50	IVR BBB-/ Stable Outlook
Long Term Bank Facility – Fund Based – Term Loan	NA	NA	Upto December 2024	11.12*	IVR BBB-/ Stable Outlook
Long Term Bank Facility – Non Fund Based – Bank Guarantee	NA	NA	Upto 5 years	1.50	IVR BBB-/ Stable Outlook

*\*Outstanding as on June 30, 2020*