

Shiv Shakti Ginning and Pressing Private Limited

August 16, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	15.61 (Reduced from 15.93)	CARE B; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to the bank facilities of Shiv Shakti Ginning and Pressing Private Limited (SSGPPL) is constrained on account of its modest scale of operations and profitability which remained stable in FY24 (FY refers to the period from April 1 to March 31), leveraged capital structure and weak debt coverage indicators. The rating continues to remain constrained on account of vulnerability of profitability to volatility in prices of raw materials, and high fragmentation and competition among domestic participants due to low entry barriers within edible oils and threat from cheap imports.

The rating, however, derives strength from its established track record of operations and experienced management as well as favourable location with easy access to raw materials.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significant growth in scale of operations with total operating income (TOI) over ₹125 crore
- Improvement in profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin of more than 2.50% on a sustained basis
- Improvement in its debt coverage indicators marked by PBILDT/Interest of more than 1.2 times

Negative factors

- Deterioration in PBILDT Margin below 1% on a sustained basis
- Deterioration in capital structure marked by overall gearing of more than 5 times.
- Any large size debt funded capex

Analytical approach: Standalone

Outlook: Stable

Detailed description of the key rating drivers:

Key weaknesses

Modest scale of operations and profitability

During FY24 (Provisional), TOI of SSGPPL remained stable at ₹47.86 crore [PY: ₹46.03 crore]. However, due to subdued market conditions, the PBILDT margin of SSGPPL moderated marginally, though continued to remain thin due to lower value addition nature of its product at 3.12% in FY24 (Provisional) [PY: 4.09%]. The company has reduced its net loss to ₹0.23 crore in FY24 (Provisional) [PY: net loss of ₹1.79 crore] owing to non-cash nature extra-ordinary expense of ₹0.45 crore in form of reversal of prior period GST claim. Excluding the same adjusted profit after tax (PAT) would be ₹0.22 crore for FY24.

Leveraged capital structure and debt coverage indicators

SSGPPL's overall gearing deteriorated and remained leveraged at 4.99 times as on March 31, 2024 [PY: 3.99 times] due to decline in its net worth base on the back of losses due to reversal of GST claim of ₹0.45 crore in the year ended on March 31, 2024 (Provisional). Tangible net worth of the company remained at ₹4.93 crore as on March 31, 2024 (Provisional) as against ₹5.16 crore as on March 31, 2023. The debt coverage indicators of the company stand weak owing to thin operating profitability, marked by total debt to gross cash accruals (TDGCA) at 61.86 times [PY: 69.26 times] and interest coverage ratio of 0.93 times [PY: 1.10 times] for the year ended on March 31, 2024 (Provisional).

Vulnerability of profitability to volatility in prices of raw materials

SSGPPL uses cotton seeds as the key raw material for the extraction process and it is being an agricultural commodity, prices to a certain extent are affected by various factors like monsoon during the year, area under cultivation, global pricing scenario (linked to global demand supply) and government policies leading to volatility in the same. Furthermore, profitability is vulnerable to the movement in the prices of cotton-based products like cotton seeds, cotton oil cake and cotton DOC, cotton refined oil and other substitute oils since edible oil is a price-sensitive product.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

High fragmentation and competition among domestic participants due to low entry barriers within edible oils and threat from cheap imports

The Indian edible oil industry is highly fragmented with large number of players operating in organized and unorganized market attributable to low entry barriers such as low capital and low technical requirements of the business and a liberal policy regime. There is also presence of large integrated players having a sizeable scale with wide distribution network with logistics and supply chain capability. Also, imported oil from overseas market posed further competition for domestic edible oil players, however, the government time to time revises the import duties and import tariffs on crude and refined edible oils to protect interest of domestic extractors and refineries.

Key strengths

Established track record of operations and experienced management

SSGPPL has an established track record of more than a decade in cotton trading and pressing operations. The management of SSGPPL consists of Mr. Shamjibhai Makvana, Mr. Khimjibhai Makvana, Mr. Radhubhai Makvana and Mr. Lakubhai Makvana who have vast experience in the agriculture trading industry. Mr. Shamjibhai Makvana who is a Chairman and Managing Director of SSGPPL has an extensive experience of more than two decades in the trading of cotton, seed-oil cake and other agro-commodities and he looks after the overall operations of SSGPPL.

Favourable location with easy availability of cotton seeds

SSGPPL's plant is in cotton producing belt of Gujarat, which is the second largest producer of cotton in India. Hence, SSGPPL's presence in cotton producing region results in benefit derived from lower logistics expenditure (both on transportation and storage), easy availability and procurement of raw materials i.e., cotton seeds) at effective prices and consistent demand for finished goods resulting in sustainable revenue visibility.

Liquidity: Stretched

SSGPPL has stretched liquidity marked by the full utilization of its working capital limits, modest negative cash flow from operations (CFO), low unencumbered cash and bank balance with stretched liquidity ratios and the elongated operating cycle.

Unencumbered cash and bank balance remained low at ₹0.07 crore as on March 31, 2024 (Provisional). Current ratio moderated over the previous year and remained modest at 1.24 times as on March 31, 2024 (Provisional). Fund-based working capital limits remained fully utilized in trailing 12 months ended in June 2024. Moreover, the company has availed the working capital term loan (WCTL) of ₹5.93 crore under guaranteed emergency credit line (GECL) extension scheme whose repayment has commenced from June 2024 onwards. Also, promoters have infused the interest free unsecured loan of ₹3.49 crores in SSGPPL to support its operations. Operating cycle of the company improved slightly from 171 days in FY23 to 158 days in FY24 (Provisional). Debt coverage indicators marked by PBILDT interest coverage ratio stands inadequate at 0.93x as on March 31, 2024, as against 1.10x on March 31, 2023. Also, its GCA stands inadequate at ₹0.40 crore in FY24 against scheduled repayment of ₹1.65 crore in FY2024-25 and would require the need-based support from the promoters in the near term.

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Consumer Discretionary	Textiles	Textiles & Apparels	Other Textile Products

SSGPPL (CIN No. U01405GJ2007PTC051933) was incorporated in October 2007 by Mr. Nilesh V. Thacker and family, and subsequently during FY22, the company was taken over by one of the existing directors Mr. Khimjibhai Makvana and family who have longstanding experience in agriproducts trading. The company is engaged into extraction of cotton oil with having its oil milling unit at Aadipur in the Kutch district of Gujarat. The company has shut down its ginning operation during FY22 due to incurring losses in the segment. SSGPPL undertook no trading activity during FY23. As indicated by the management going forward, SSGPPL will continue to focus on its manufacturing activity of extracting oil from cotton seeds and selling of de-oiled cakes.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (P)
Total operating income	46.03	47.86
PBILDT	1.88	1.49
PAT	-1.79*	-0.23*
Overall gearing (times)	3.99	4.99
Interest coverage (times)	1.10	0.94

A: Audited P: Provisional; Note: 'the above results are latest financial results available', SSGPPL has directly reduced its reserves and surplus by ₹0.45 crore (in form of 'reversal of GST claim') during March 31, 2024 (Provisional), and ₹1.91 crore on March 31, 2023 (in form of reversal of input tax credit). No effect has been provided in P&L statement, however for analytical purpose, the same has been deducted from net profit as extra-ordinary expense.

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	10.00	CARE B; Stable
Fund-based - LT-Term Loan		-	-	01-05-2027	5.61	CARE B; Stable

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Cash Credit	LT	10.00	CARE B; Stable	-	1)CARE B; Stable (11-Aug-23)	1)CARE B; Stable (12-Sep-22)	1)CARE B+; Stable (17-Sep-21)
2	Fund-based - LT-Term Loan	LT	5.61	CARE B; Stable	-	1)CARE B; Stable (11-Aug-23)	1)CARE B; Stable (12-Sep-22)	-

LT: Long term

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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