

Shivajirao Agro Industries Private Limited

November 26, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	33.50	CARE B+; Stable; ISSUER NOT COOPERATING*	Downgraded from CARE BB-; Stable and moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

*Issuer did not cooperate; based on best available information.

Rationale and key rating drivers

CARE Ratings Ltd. has been seeking information from Shivajirao Agro Industries Private Limited (SAIPL) to monitor the rating(s) vide e-mail communications/letters dated October 28, 2024, September 24, 2024, August 30, 2024, July 15, 2024, among others and numerous phone calls. However, despite our repeated requests, SSE has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. Further, SAIPL has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The rating on SAIPL's bank facilities will now be denoted as **CARE B+; Stable; ISSUER NOT COOPERATING***.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The rating has been revised on account of insufficient information to arrive at the rating. The ratings further remained constrained by project execution and stabilization risk, low capitalization and weak debt coverage indicators, stretched liquidity position, susceptibility of operating profitability margin due to volatility in raw material prices, presence in highly competitive and fragmented industry.

The above rating weaknesses are, however, partially offset by experienced promoters with established presence in agriculture industry, established marketing network and location advantage given the proximity to suppliers.

Detailed description of key rating drivers:

The ratings have been downgraded based on non-availability of information. At the time of last rating on October 18, 2023, the following were the rating strengths and weaknesses.

Key weaknesses

Project execution and stabilization risk

The company is in the process of setting up a jaggery manufacturing plant with 1250 tons of cane crushing per day (TCD). The total cost of the project is estimated at Rs. 65.54 crore which is to be funded through term loan of Rs. 29.50 crore (sanctioned and disbursed), equity share capital of Rs. 15 crore and unsecured loan of Rs. 20.04 crore. It is expected that commercial production will commence from October 2023. As on September 18, 2023, the company has already incurred 90% (i.e., Rs. 58.72 crore) of the total cost. Company's leverage ratios are envisaged to remain on the higher side as on March 31, 2024, on account of availment term debt for the project undertaken as well as the bank borrowings to meet the working capital requirements. In FY24, the plant will be operational on full capacity only for 5.5 months; hence, FY25 will be the first full year of operations. PBILDT margin is expected to remain moderate on account of the value addition to the product. The overall project has been significantly debt funded, thus its ability to operate its existing facilities at envisaged capacity utilizations and generate sufficient accruals will be critical for its credit profile. With repayment commencing from Q4FY24, its ability to use the capacity at envisaged utilization levels and generate sufficient accruals, shall be critical from credit perspective.

Low Capitalization & weak debt coverage indicators

Company has a small net worth base, which limits its financial flexibility to meet any exigency. Moreover, due to low net profitability and thereby lower accruals, the overall debt coverage indicators are expected to remain weak.

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

Susceptibility of operating profitability margins owing to volatility in raw material prices

The profit margins are susceptible to the volatile prices of raw material viz. sugarcane. However, the risk is comparatively high as any fluctuation in the raw material price cannot be passed on to the customers at initial stage. Thus, going forward, during nascent stage of the operations of the manufacturing plant, the ability of the company to draw envisaged profitability and subsequently pass on the price fluctuations remains critical.

Presence in highly competitive and fragmented industry coupled with high level of government regulation

The commodity nature of the product makes the industry highly fragmented, with numerous players operating in the unorganized sector with very less product differentiation. Furthermore, the concentration of jaggery producers around the sugarcane growing regions makes the business intensely competitive. Furthermore, the sugarcane prices are regulated by the government to safeguard the interest of farmers which limits the bargaining power of manufacturers over the farmers. Due to high competition coupled with government regulations, profitability margins tend to remain thin in the industry.

Key strengths**Experienced promoters and established group presence in agro industry**

SAIPL is promoted by Mr. Ravindra Kale, Mr. Ramchandra Kale and promoters of M/s Amrut Sanjivani Sugarcane Private Limited which is 60% shareholder of SAIPL. Promoters have more than a decade of experience and sound knowledge of agricultural and food processing industry. They already possess an established marketing network of dealers, wholesalers, retailers and shopkeepers. Further all promoters are supported by an experienced team of management in the field of operation, sales, accounts and finance.

Established marketing network

SAIPL's majority of the shares (60%) are held with M/s Amrut Sanjivani Sugarcane Private Limited, wholesaler of jaggery and sugar which already possess an established marketing network of dealers, wholesalers, retailers and shop keepers with possessing sound knowledge of agricultural and food processing industry, trends and prevailing practices along with being associated with all good parties of the agricultural products in the state of Maharashtra. Therefore, selling the products of the proposed unit will not be a constraint. The marketing connects enables the company to market its product at greater extent and thereby providing cushion to achieve the projected revenue and profitability.

Location advantage given the proximity to suppliers

The plant location has ample availability of raw material i.e. sugarcane and other infrastructure facilities in the area. The site enjoys proximity to all necessary infrastructure facilities thereby providing location advantage. The unit is located ideally from the point of availability of sugarcane. The raw material required under the proposed project is abundantly available during harvest season in the region. Thus, the project will not face any raw material shortage throughout the year.

Liquidity: Stretched

The liquidity position of the company remained stretched given the repayments yet to be started and operations yet to commence thereby the revenue generation prospects are yet to materialize. The liquidity may be impacted in the instance of cash flow mismatch owing to delay in generating sales as envisaged. Nevertheless, comfort can be drawn from the fact that the loan has been sanctioned and project is close to completion.

Environment, social, and governance (ESG) risks: Not Applicable**Analytical approach: Standalone****Outlook: Stable****Applicable criteria**

[Policy in respect of non-cooperation by issuers](#)

[Definition of Default](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

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

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Fast Moving Consumer Goods	Fast Moving Consumer Goods	Agricultural Food & other Products	Other Agricultural Products

Shivajirao Agro Industries Private Limited (SAIPL) is a private limited company incorporated on February 28, 2022 by Mr. Ravindra Kale and Mr. Ramchandra Kale to setup up jaggery manufacturing plant with 1250 Metric Ton capacity per day. The products manufactured mainly will be jaggery powder and other by products such as molasses, bagasse, and press mud. Commercial production was expected to commence from October 2023.

Brief Financials: Not applicable as it was a project phase entity and no information available for current year.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of 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 and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	3.00	CARE B+; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan		-	-	March 2031	30.50	CARE B+; Stable; ISSUER NOT COOPERATING*

*Issuer did not cooperate; based on best available information.

Annexure-2: Rating history for 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-Term Loan	LT	30.50	CARE B+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable (18-Oct-23)	-	-
2	Fund-based - LT-Cash Credit	LT	3.00	CARE B+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable (18-Oct-23)	-	-

*Issuer did not cooperate; based on best available information.

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not Applicable**Annexure-4: Complexity level of 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 complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

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About us:

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