

Shiv Edibles Limited

February 23, 2021

Rating

Facilities/Instruments	Amount (Rs. crore)	Ratings ¹	Rating Action
Long Term Bank Facilities	40.00	CARE BBB; Stable; ISSUER NOT COOPERATING* (Triple B; Outlook: Stable ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Total Bank Facilities	40.00 (Rs. Forty Crore Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Shiv Edibles Limited (SEL) to monitor the rating vide e-mail communications dated January 27, 2021, February 01, 2021, February 02, 2021, February 03, 2021 and through numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the rating. Furthermore, SEL has also not paid the surveillance fees for the rating exercise agreed to in its Rating Agreement. In line with the extant SEBI guidelines, CARE has reviewed the rating of SEL on the basis of the available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The rating of SEL's bank facilities will now be denoted as **CARE BBB; 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.

The rating continues to derive strength from vast experience of promoters and established track record of operations in edible oil industry, operational synergies among group entities and stable demand outlook for edible oils. The rating also draws strength from group's moderate financial risk profile marked by moderate scale of operations, moderate capital structure and debt coverage indicators as well as strategic location of processing unit with close proximity to raw material sources.

The rating, however, continues to remain constrained on account of thin and fluctuating profitability margins due to limited value additive nature of operations of the group in highly competitive and fragmented edible oil industry. The rating is further constrained due to availability of raw material being exposed to vagaries of nature and vulnerability of profitability margins to volatile raw material prices.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced Management with long track record of operations and operational synergies among group entities: SEL is part of Shiv Group promoted by the Saboo family of Kota. The promoters have vast experience in agro processing business. Mr Bajrang Kumar Saboo who is presently Managing Director of SEL has more than three decades of experience in the edible oil extraction and refining industry. He is assisted by other directors having experience varying from 10 years to 46 years in the industry.

SEL derives operational synergy with SAL and SVPL, other group entities. SAL purchases soya husk from SVPL and crude mustard oil from SEL, whereas it sells soyabean seeds to SEL and SVPL. Furthermore, SEL does refining for SVPL on job work basis. SAL owns 7.04% of shareholding of SEL whereas SEL has 10% shareholding in SVPL as on March 31, 2020.

Moderate scale of operations though some moderation in TOI in FY20: TOI of the group at combined level declined by around 4.99% to Rs. 1379.91 crore in FY20 as against Rs.1452.35 crore in FY19, though the same remained moderate. Further, the same was also lower than envisaged level for FY20.

Stable demand outlook for edible oils: The consumption of edible oil in India has been rising steadily which can be attributed mainly to economic boom resulting in better standard of living, decline in edible oil prices and growth in

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications

*Issuer did not cooperate; Based on best available information

demand for fried processed food products. India's per capita consumption in edible oils is growing and hence the domestic demand for edible oil is estimated to move faster in the medium to long term on account of the higher disposable income.

Moderate capital structure and debt coverage indicators: Solvency position of the group stood comfortable with overall gearing remained largely stable at 0.32 times as on March 31, 2020 as against 0.31 times as on March 31, 2019. Further, total debt to GCA at group level improved to 2.96 times as on March 31, 2020 from 3.29 times as on March 31, 2019 on account of improvement in GCA. PBILDT interest coverage of group improved from 5.16 times in FY19 to 5.71 times in FY20 due to improvement in operating profitability. Current ratio and quick ratio of SEL stood at 2.14 times and 0.69 times respectively as on March 31, 2020. Further, the operating cycle of SEL stood at 60 days in FY20 as against 56 days in FY19.

Strategic location of manufacturing unit with close proximity to raw material sources: SEL's processing facility is located at Kota, Rajasthan, strategically located in one of the largest mustards producing regions of India which makes it easier for the company to access its primary raw material (soyabean seeds, mustard seeds and mustard oil cakes etc.).

Key Rating Weaknesses

Thin and fluctuating profitability margins: Profitability margins of the group have inherently remained thin due to low value additive nature of its operations. PBILDT margin of the group improved by 30 bps to 2.84% in FY20 on account of increase in income from group entity, SHF. Further, PBILDT margin of the group stood at 4.04% during H1FY21. Further, in line with PBILDT margin, PAT margin of the group also improved by 45 bps to 1.67% in FY20. Furthermore, PAT margin of the group stood at 2.72% during H1FY21. Furthermore, GCA at group level increased by 28.77% to Rs.24.81 crore in FY20 due to increase in profitability. However, profitability and GCA were lower than envisaged level.

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 (SSI reservation for traditional oilseeds (only solvent extraction) and tax incentives by various state governments). Further, weak harvests, volatility in prices and forex movements also impact profitability margins of players operating in the industry.

Thus, profitability is inherently thin and is further exposed to movement in prices of soya bean seed, finished goods (mainly DOC and soya refined oil) and other substitute oils. The prices of DOC are linked to the international markets and governed by the global demand-supply scenario and prices and availability of soya bean seed. Furthermore, the consumption of refined soya oil depends on its price differential with other edible oils. The government also from time to time revises the import duties on palm and other edible oils in order to protect interest of domestic extractors and refineries.

Availability of raw material exposed to vagaries of nature and vulnerability of profitability to volatility in raw material prices: Group uses mustard seeds, soya seeds and Oil cakes as the key raw material for the extraction process. Furthermore, soya and mustard seeds being an agricultural commodity, availability and prices 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.

Analytical approach: Combined. CARE has considered combined view of the group entities (Shiv Agrevo Ltd. (SAL), Shiv Edible Ltd. (SEL) and Shiv Vegpro Pvt. Ltd. (SVPL) as all these entities are in same line of business, have been promoted by same promoter family as well as have operational linkages. Financials of group entities have been combined after adjusting inter-company transactions.

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Criteria on assigning 'Outlook' and 'Credit Watch' to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Rating Methodology-Manufacturing Companies](#)

[Financial ratios – Non-Financial Sector](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

[Factoring linkages- Consolidation](#)

About the Company

Incorporated in December 2003, SEL is a closely-held public limited company based out of Kota (Rajasthan). SEL is engaged in solvent extraction along with refining of soya and mustard crude oil. SEL's primary products include refined soya and mustard oil, Soya Meal (SM) and other by products like fatty acids, gums and acid oils, etc. It has an installed capacity of 300 Tons per Day (TPD) for solvent extraction and 140 TPD for refining as on March 31, 2020.

SEL is part of Kota based Shiv Group of Industries comprising of SEL, Shiv Agrevo Limited, Shiv Vegpro Pvt Ltd engaged in processing of edible oil and Shiv Health Food LLP engaged in processing of dairy products. Besides these, Shiv Trading Company and Maheshwari Udyog are the associate entities engaged in the trading of soya products.

Shiv Group - Combined

Brief Financials (Rs. crore)	FY19 (UA)	FY20 (UA)
Total operating income	1452.35	1379.91
PBILDT	36.84	39.19
PAT	17.65	23.02
Overall gearing (times)	0.31	0.32
Interest coverage (times)	5.16	5.71

UA: Unaudited

As per provisional results for H1FY21, Shiv Group has reported TOI of Rs.777.85 crore with PAT of Rs.21.16 crore.

Standalone - SEL

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	634.84	590.37
PBILDT	16.33	15.77
PAT	8.29	8.59
Overall gearing (times)	0.27	0.45
Interest coverage (times)	5.86	4.86

A: Audited

As per provisional results for H1FY21, SEL has reported TOI of Rs.357.96 crore with PAT of Rs.4.96 crore.

Status of non-cooperation with previous CRA: None

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 for this company: Annexure 4

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based-Long Term	-	-	-	40.00	CARE BBB; Stable; ISSUER NOT COOPERATING*

*Issuer did not cooperate; on the basis of best available information

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based-Long Term	LT	40.00	CARE BBB; Stable; ISSUER NOT COOPERATING*	-	1)CARE BBB; Stable (17-Mar-20)	1)CARE BBB; Stable (20-Feb-19)	1)CARE BBB; Stable (28-Mar-18)
2.	Fund-based-Short Term	ST	-	-	-	-	-	1)Withdrawn (28-Mar-18)

*Issuer did not cooperate; on the basis of best available information

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not Applicable**Annexure 4: Complexity level of various instruments rated for this company**

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based-Long Term	Simple

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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