



SHARAT INDUSTRIES LIMITED

CIN - L05005AP1990PLC011276

Regd. Off. : Feed Plant, Hatchery & Farm

Venkanna Palem Village, T.P. Gudur Mandal, Nellore - 524 002, Nellore Dist, A.P.

Processing Plant : Mahalakshampuram Village, T.P. Gudur Mandal, Nellore - 524 002, Nellore Dist, A.P.

E-mail : accounts@sharatindustries.com, Website : www.sharatindustries.com

SIL/BSE/CREDIT RATING/19-20

20.1.2020

Corporate Relationship Department
BSE Limited
1st floor, PJ Towers,
Dalal Street,
Mumbai- 400001

Dear Sir/Madam

Sub: Intimation of Revision (upgraded) in Credit Rating for Bank Loan Facilities

Ref: Scrip Code- 519397

Pursuant to Regulation 30 read with Schedule III of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we hereby inform that CRISIL has revised (upgraded) its rating on the bank facilities of the Company as follows.

Long Term Rating	CRISIL BBB-/Stable (Upgraded from 'CRISIL BB+/Stable')
Short Term Rating	CRISIL A3 (Upgraded from 'CRISIL A4+')

Please take this on records

Thanking you,

Yours truly
For Sharat Industries Ltd

C. Rubavathy
Company Secretary and Compliance Officer

Rating Rationale

January 20, 2020 | Mumbai

Sharat Industries Limited

Ratings upgraded to 'CRISIL BBB-/Stable/CRISIL A3'

Rating Action

Total Bank Loan Facilities Rated	Rs.77 Crore
Long Term Rating	CRISIL BBB-/Stable (Upgraded from 'CRISIL BB+/Stable')
Short Term Rating	CRISIL A3 (Upgraded from 'CRISIL A4+')

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL has upgraded the rating on the bank facilities of Sharat Industries Limited (SIL) to 'CRISIL BBB-/Stable/CRISIL A3' from 'CRISIL BB+/Stable/CRISIL A4+'.

The rating upgrade reflects CRISIL's belief that SIL's business risk profile shall continue to improve over the medium term, marked by sustained growth in revenue and stability in operating profitability. The turnover grew by around 33 percent in fiscal 2019 to Rs.196 crore, supported by better capacity utilisation due to de-bottlenecking in production capacities, with addition of adequate cold storage facilities.

The company has reported turnover of around Rs.107 crore for the first half of fiscal 2020 as against Rs.75 crore for the first half of the previous fiscal. Aided by the improvement in turnover, operating profitability has improved to 7 percent for the period. Over the medium term, the improvement in turnover is expected to be supported by healthy capacity utilisation, while operating profitability is expected to be sustained at around 7 percent. Improvement in turnover and profitability is expected to result in healthy cash accrual of around Rs.8-10 crore per annum over the medium term

CRISIL ratings on the bank facilities of SIL reflect SIL's established market position in the seafood exports industry and it's above average financial risk profile. These strengths are partially offset by susceptibility of operating margin to volatility in input prices and foreign exchange rates and exposure to regulatory changes in export destinations.

Key Rating Drivers & Detailed Description

Strengths

*** Established market position in the seafood exports industry:** SIL enjoys an established market position in the seafood exports industry. The turnover has improved to around Rs. 196 crore for fiscal 2019 over a period of 3 years from around Rs.150 crore in fiscal 2016. SIL also derives benefits from product diversification, with around 25 percent of the turnover from the sale of feed. Further the company derives benefits from promoter's long standing presence of more than two decades in the seafood exports industry, which has aided the company to diversify the customer base and establish healthy relationships. CRISIL believes that SIL shall continue to benefit over the medium term, from its established market position in the seafood exports industry.

*** Above average financial risk profile:** SIL's financial risk profile is above average as reflected in its total outside liabilities to tangible networth ratio (TOLTNW) of around 0.45 times as on March 31, 2019. Supported by the absence of major debt funded capital expenditure, the TOLTNW is expected to remain healthy over the medium term. Interest coverage has improved to around 2.2 times for fiscal 2019 from 1.9 times for the previous year, with improvement in profitability. Improvement in interest coverage shall remain a key monitorable over the medium term.

Weaknesses

*** Susceptibility of operating margin to volatility in input prices and forex rates:** The marine export market is marked by uncertainty, though more pronounced in supply than in demand. The supply is affected adversely because of seasonal conditions, lack of quality seeds and feed and rampant diseases. This results in volatility in the raw material prices based on the supply during the year. Also, the company derives significant portion of its revenue from the export market which exposes its operating profitability to fluctuations in the forex rates.

*** Regulatory changes in export destinations:** Food product imports are subject to high quality standards in developed countries of Europe and U.SA. Since the company derives majority of its export revenues from these destinations, any adverse quality standards set by these countries or customers could affect the business risk profile.

Liquidity Adequate

Bank limit utilisation is adequate around 70 percent for the past twelve months ended 30th October 2019. Cash accrual of around Rs.8-10 crore is expected to be generated against repayment obligations of Rs. 3 crore per annum Liquidity is also supported by the absence of debt funded capital expenditure and healthy cash and bank balances of around Rs.2-3 crore that is expected to be maintained at any point in time. CRISIL believes that SIL's liquidity shall continue to remain adequate over the medium term.

Outlook: Stable

CRISIL believes that SIL will continue to benefit from its established market position

Rating Sensitivity Factor**Upward factor**

*Sustained improvement in scale of operation and sustenance of operating margin, leading to higher cash accruals

*Improvement in interest coverage to more than 3 times

Downward factor

*Decline in operating profitability to less than 5 percent

*Any large debt funded capital expenditure, resulting in weakening of financial risk profile.

About the Company

SIL was originally set up in 1990 as a private limited company by Mr S Prasad Reddy; this company was reconstituted as public limited company in 1992. SIL processes and exports shrimp and also manufacture and sells feed for shrimp. SIL is listed on the Bombay Stock Exchange.

Key Financial Indicators

Particulars	Unit	2019	2018
Revenue	Rs crore	196	148
Profit After Tax (PAT)	Rs crore	2.9	1.07
PAT Margin	%	1.5	0.7
Adjusted debt/Adjusted networkth	Times	1.12	0.85
Interest coverage	Times	2.16	1.94

Any other information: Not applicable

Note on complexity levels of the rated instrument:

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Annexure - Details of Instrument(s)

ISIN	Name of Instrument	Date of Allotment	Coupon Rate (%)	Maturity Date	Issue Size (Rs.Cr)	Rating Assigned with Outlook
NA	Bank Guarantee	NA	NA	NA	1	CRISIL A3
NA	Bill Discounting	NA	NA	NA	10	CRISIL A3
NA	Cash Credit	NA	NA	NA	15	CRISIL BBB-/Stable
NA	Inland/Import Letter of Credit	NA	NA	NA	2	CRISIL A3
NA	Long Term Loan	NA	NA	Mar-2022	8.22	CRISIL BBB-/Stable
NA	Packing Credit	NA	NA	NA	29	CRISIL A3
NA	Proposed cash credit/bill discounting limit	NA	NA	NA	10.73	CRISIL BBB-/Stable
NA	Standby line of credit	NA	NA	NA	1.05	CRISIL BBB-/Stable

Annexure - Rating History for last 3 Years

Instrument	Type	Current		2020 (History)		2019		2018		2017		Start of 2017
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund-based Bank Facilities	LT/ST	74.00	CRISIL BBB-/Stable/CRISIL A3					26-10-18	CRISIL BB+/Stable/CRISIL A4+	06-10-17	CRISIL BB+/Stable/CRISIL A4+	CRISIL BB+/Stable/CRISIL A4+
Non Fund-based Bank Facilities	LT/ST	3.00	CRISIL A3					26-10-18	CRISIL A4+	06-10-17	CRISIL A4+	CRISIL A4+

All amounts are in Rs.Cr.

Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Bank Guarantee	1	CRISIL A3	Bank Guarantee	1	CRISIL A4+
Bill Discounting	10	CRISIL A3	Bill Discounting	10	CRISIL A4+

Cash Credit	15	CRISIL BBB-/Stable	Cash Credit	10	CRISIL BB+/Stable
Inland/Import Letter of Credit	2	CRISIL A3	Inland/Import Letter of Credit	5	CRISIL A4+
Long Term Loan	8.22	CRISIL BBB-/Stable	Long Term Loan	10	CRISIL BB+/Stable
Packing Credit	29	CRISIL A3	Packing Credit	29	CRISIL A4+
Proposed Cash Credit / Bills Discounting Limit	10.73	CRISIL BBB-/Stable	Proposed Working Capital Facility	12	CRISIL BB+/Stable
Standby Line of Credit	1.05	CRISIL BBB-/Stable	--	0	--
Total	77	--	Total	77	--

Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

[CRISILs Criteria for rating short term debt](#)

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