

Press Release

Entrack Overseas Private Limited

06 July, 2017

Rating Reaffirmed



Total Instruments Rated*	Rs.25.00 Cr
Long Term Rating	SMERA BB- / Outlook: Stable

Refer Annexure for details

Rating Rationale

SMERA has reaffirmed the long term rating of '**SMERA BB-**' (read as SMERA double B minus) on the above mentioned facility of Entrack Overseas Private Limited (EOPL). The outlook is '**Stable**'.

Promoted by Mr. Aditya Nayak and Ms. Sudha Nayak, EOPL is engaged in the trading of agricultural commodities such as coffee, maize, soya bean among others and exports them to Europe, China and Thailand.

Key Rating Drivers

Strengths

- Experienced management and operational track record**

EOPL, a Mangalore-based company incorporated in 2012 was promoted by Mr. Aditya Nayak and Ms. Sudha Nayak. Mr. Aditya Nayak possesses experience of around a decade in the industry.

- Healthy revenue growth**

The company registered healthy revenue growth marked by CAGR of 26.94 per cent for the three year period ended 31 March, 2016. The company registered revenue of Rs.94.34 crore for FY2016 as against Rs.89.98 crore for FY2015.

- Moderate financial risk profile**

The financial risk profile continues to remain moderate marked by high gearing of 2.61 times as on 31 March, 2016 as against 2.60 times as on 31 March, 2015. Further, the interest coverage ratio stood at 1.34 times for FY2015-16 and 1.38 times in FY2014-15. The DSCR stood at 1.21 times in FY2015-16 compared to 1.25 times in FY2014-15.

Weaknesses

- Working capital intensive operations**

The operations are working capital intensive with gross current assets (GCA) of around 139 days as on 31 March, 2016 compared to 136 days as on 31 March, 2015. The working capital cycle was stretched to 127 days as on 31 March, 2016, due to elongated inventory holding of 122 days. The current ratio stands comfortable at 1.41 times and unencumbered cash and bank balance stood at a low of Rs.0.23 crore in FY2016. The average utilisation of working capital limit stood at ~92 percent for the last six months ended March 2017.

- **Thin profitability**

EOPL operates on low margins. The EBITDA margin declined in FY2015-16 to 3.42 percent from 4.20 percent in FY2014-15. The net profit margin continues to remain thin at 0.55 percent in FY2015-16 as against 0.69 percent in FY2014-15.

- **Susceptibility of profit margins to volatility in raw material prices and agro climatic risks**

The operating margin declined to 3.42 percent in FY2015-16 from 4.20 percent in FY2014-15 due to increase in raw material overheads. The firm maintains high level of inventory throughout the year, exposing its profitability to fluctuations in raw material prices. The raw material cost accounts for around 93.27 per cent of the input cost. Furthermore, raw material prices depend on agro-climatic conditions.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of EOPL to arrive at the rating.

Outlook: Stable

SMERA believes that the outlook on EOPL will remain 'Stable' over the medium term on account of its promoters' extensive experience. The outlook may be revised to 'Positive' in case of higher than expected growth in revenue and profitability or improvement in the financial risk profile on account of comfortable working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in revenue growth and profitability or deterioration in the financial risk profile due to higher than expected working capital requirement.

About the Rated Entity - Key Financials

For FY2015-16, EOPL reported net profit after tax (PAT) of Rs.0.52 crore on operating income of Rs.94.34 crore in FY2015-16 compared to PAT of Rs.0.62 crore on operating income of Rs.89.98 crore in previous year. The net worth stood at Rs.9.80 crore as on 31 March, 2016 compared to Rs.9.28 crore a year earlier.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Trading Entities - <https://www.smera.in/criteria-trading.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
28 Jan 2016	Packing Credit	Long Term	25.00	SMERA BB-/Stable (Assigned)

***Annexure - Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Packing Credit	Not Applicable	Not Applicable	Not Applicable	25.00	SMERA BB- / Stable (Reaffirmed)

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ABOUT SMERA

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