

Press Release

National Ventures Private Limited

25 October, 2017



Rating Reaffirmed

| | |
|-------------------------------------|---|
| Total Bank Facilities Rated* | Rs. 15.00 Cr (enhanced from Rs.9.00 crore) |
| Long Term Rating | SMERA B/Stable (Assigned) |
| Short Term Rating | SMERA A4 (Reaffirmed & Assigned) |

*Refer Annexure for details

Rating Rationale

SMERA has assigned long term rating of '**SMERA B** (read as SMERA B)' and short term rating of '**SMERA A4**' (read as SMERA A Four) on the Rs. 6.00 crore proposed bank facilities of NVPL. SMERA has also reaffirmed the short term rating of '**SMERA A4**' (read as SMERA A Four) on the Rs. 9.00 crore bank facilities of National Ventures Private Limited (NVPL). The outlook is '**Stable**'.

The Chennai-based National Ventures Private Limited (NVPL) was incorporated in June 2000 by Mr. A. S. R. Chowdhary, Mr. A Bhanu Prasad and Mr. A. Krishna Prasad. The company is engaged in import and export. It trades in industrial minerals and metal ores, agro products among others.

List of key rating drivers and their detailed description

Strengths:

Experienced management

The promoters, Mr. A. S. R. Chowdhary, Mr. A. Bhanu Prasad and Mr. A. Krishna Prasad possess over four decades of experience in the trading of commodities.

Weaknesses:

Moderate scale of operations

The scale of operations is moderate. The operating income stood at Rs. 34.89 crore in FY2017 as against Rs. 8.78 crore in FY2016. Further, as informed by the management, NVPL reported revenue of Rs. 15.00 crore during the period April, 2017 to September, 2017. The growth in revenue is due to the trading of Indonesian coal. However, the same is moderate. The company enjoys natural hedge on forex since imports and exports are dollar denominated.

Thin profitability margins

The operating margins are thin on account of the trading nature of business. The EBITDA margin stood at 2.17 percent in FY2017 compared to 2.35 percent in the previous year.

Below average financial risk profile

The financial risk profile is below average marked by low net worth of Rs.1.86 crore as on 31 March, 2017 as against Rs. 1.33 crore in the previous year. The networth is supported by unsecured loans to the tune of Rs.1.12 crore from holding company, M/s Coromandel Shipping Agencies Private Limited. The adjusted gearing stood at 0.79 times as on 31 March, 2017 as against 1.10 times in the previous year. The interest coverage ratio stood at 5.56 times for FY2017 as against 4.31 times in the previous year.

Highly fragmented and competitive commodity trading industry

The company operates in a highly fragmented and competitive commodity trading (coal, fertilisers, agro-products among others) industry with large number of players in the organised and unorganised segment.

Analytical approach: SMERA has considered the standalone business and financial risk profiles of the company.

Applicable Criteria

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

Outlook: Stable

SMERA believes that NVPL will maintain a stable outlook over the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the company registers significant growth in revenue and profitability while effectively managing its liquidity position. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile or liquidity position on account of higher than anticipated working capital requirements.

About the Rated Entity –Key Financials

For FY2016-17, NVPL reported profit after tax (PAT) of Rs.0.53 crore on operating income of Rs. 34.89 crore as against PAT of Rs. 0.24 crore on operating income of Rs. 8.78 crore in the previous year. The tangible net worth stood at Rs.1.86 crore as on 31 March, 2017 as against Rs. 1.33 crore in the previous year.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the last three years:

| Date | Name of Instrument/ Facilities | Term | Amount (Rs. Crore) | Ratings/Outlook |
|----------------|-----------------------------------|---------------|-----------------------|------------------------|
| 13 April, 2017 | Letter of Credit | Short Term | 9.00 | SMERA A4 (Assigned) |

*Annexure – Details of instruments rated:

| Name of the Facilities | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. Crore) | Ratings/ Outlook |
|---------------------------|---------------------|----------------|------------------|-------------------------------------|------------------------------|
| Letter of Credit | N.A | N.A | N.A | 9.00 | SMERA A4 (Reaffirmed) |
| Proposed Cash Credit | N.A | N.A | N.A. | 2.00 | SMERA B/Stable (Assigned) |
| Proposed Letter of Credit | N.A | N.A | N.A | 4.00 | SMERA A4 (Assigned) |

Note on complexity levels of the rated instrument:

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

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ABOUT SMERA

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