

Press Release

Tapadia Enterprises India Private Limited

August 12, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs. 5.00 Cr.
Long Term Rating	SMERA B / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B**' (read as **SMERA B**) on the Rs. 5.00 crore bank facilities of Tapadia Enterprises India Private Limited. The outlook is '**Stable**'.

Tapadia Enterprises India Private Limited (TEIPL) is a Malegaon-based company incorporated in 2015 by Mr. Dwarkadas Tapadia, Mrs. Shila Tapadia, Mrs. Shweta Tapadia and others. The company is engaged in the trading of cotton and polyester yarn. It procures yarn from Maharashtra, Gujarat and Telangana and sells in Malegaon and Dhulia.

Key Rating Drivers**Strengths**

- **Experienced management**

The promoters Mr. Dwarkadas Tapadia, Mrs. Shilpa Tapadia and others collectively have experience of almost three decades in the textile industry.

Weaknesses

- **Limited track record of operations**

TEIPL commenced operations only from December, 2015.

- **Average financial risk profile**

The financial risk profile is average marked by net worth of Rs. 5.25 crore in FY2017 (Provisional) as against Rs.3.01 crore in FY2016. The gearing (debt-equity ratio) stood at 0.96 times as on 31 March, 2017 (Provisional) as against 1.51 times in FY2016. The Interest coverage ratio (ICR) stood at 1.26 times for FY2017 (Provisional) as against 1.59 times in FY2016. The TOL/TNW stood at 2.63 times in FY2017 (Provisional) as against 2.96 times in FY2016. The NCA/TD stood at 0.06 times in FY2017 (Provisional) compared to 0.02 times in FY2016.

- **Thin profit margins**

The net profit margin is low and stood at 0.19 percent in FY2017 (Provisional) compared to 0.12 percent in FY2016. The EBITDA margin stood at 0.93 per cent in FY2017 (Provisional) and 0.33 per cent in FY2016. The margins are thin due to the trading nature of operations.

- **Profitability susceptible to changes in raw material prices**

TEIPL's margins are highly susceptible to changes in cotton prices and fibre. The price of cotton is fixed by the government through Minimum Support Price (MSP). However, the purchase price depends on the prevailing demand-supply situation which restricts the bargaining power with suppliers as well. Adverse movements in cotton prices further impacts profitability. The material cost constituted ~98.77 percent of the total operating income in FY2017 (Provisional) and ~99.05 percent in FY2016.

Analytical Approach

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

Outlook: Stable

SMERA believes that the outlook for TEIPL will remain stable over the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the company achieves higher than expected revenue while maintaining profitability and effectively managing its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of larger-than expected debt funded capex or deterioration in its liquidity profile.

About the Rated Entity - Key Financials

For FY 2016-17, TEIPL reported profit after tax (PAT) of Rs.0.32 crore on operating income of Rs.167.92 crore as against PAT of Rs. 0.02 crore on operating income of Rs.15.68 crore in the previous year.

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)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA B / Stable

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ABOUT SMERA

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