

Press Release

Excellous Commodities Private Limited

04 October, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs. 35.00 Cr
Long Term Rating	SMERA B/Stable (Assigned)
Short Term Rating	SMERA A4 (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.35.00 crore bank facility of Excellous Commodities Private Limited (ECPL). The outlook is '**Stable**'.

Excellous Commodities Private Limited (ECPL) is a Mumbai-based company incorporated in 2013. The company, promoted by Mr. Alkesh Ramwani is engaged in trading of commodities (sugar, food grains, fabrics, crowbar and bitumen) for government agencies in Karnataka, Andhra Pradesh and Maharashtra. Further, the company is also engaged in the manufacturing of readymade garments at Bhiwandi with total installed capacity of 20,000 pieces per month. ECPL exports its products to Dubai, Hong Kong and United States.

List of key rating drivers and their detailed description

Strengths:

Experienced promoter

The company is promoted by Mr. Alkesh Ramwani who possesses more than a decade of experience in the aforementioned business.

Improvement in revenue

The company reported operating income of Rs.67.28 crore for FY2017 as against Rs. 41.64 crore in the previous year. The company registered revenue growth of around 62 percent in FY2017 over the previous year on account of increase in orders. Further, manufacturing of garments contributed around 12 percent to total sales in FY2017.

Weaknesses

Limited operational track record

The company has limited track record of operations since it was incorporated in 2013 and commenced operations from September 2015.

Working capital intensive operations

The operations are working capital intensive evident from the high gross current asset days of ~204 for FY2017 as against 302 days in the previous year. The stretched GCA days are on account of high debtor days of 181 for FY2017 as against 297 in the previous year. The company supplies mainly to state government owned enterprises leading to elongated receivables. Further, the cash credit limit of the company has been fully utilised during the last six months ended 31 June, 2017.

Weak financial risk profile

The company has weak financial risk profile marked by stretched debt to equity ratio of 4.20 times as on 31 March, 2017 as against 0.50 times in the previous year. Further, the Total outside Liabilities to Tangible networkth (TOL/TNW) ratio stood at 8.38 times as on 31 March, 2017 as against 32.15 times in the previous year. The interest coverage ratio and debt service coverage ratio stood at 1.51 times and 1.35 times respectively for FY2017. The net cash accruals to total debt stood at 0.01 times as on 31 March, 2017 as against 0.20 times in the previous year. The tangible networkth stood at Rs.4.77 crore as on 31 March, 2017 as against Rs.1.05 crore as on 31 March 2016.

Susceptible to volatility in raw material prices, forex rates

The company operates at thin profitability with operating margin of 1.62 percent and profit after tax (PAT) ratio of 0.33 times for FY2017. This is mainly on account of the trading nature of operations. The company mainly purchases agro commodities and fabric - the prices of which are highly volatile. Further, the company exported around 11 percent of total revenue in FY2017 to Hong Kong and Dubai. Hence, the margins are susceptible to volatility in raw material prices and forex rates in the absence of adequate hedging mechanism.

Tender based operations

Since the operations are tender based, the company is exposed to risk of order cyclicity. Further, the garment manufacturing division is expected to contribute 30 percent to total revenue. Hence the company is also exposed to intense competition in the textile industry.

Analytical approach: SMERA has considered the standalone business and financial risk profile of the company to arrive at the rating.

Applicable Criteria

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

Outlook: Stable

SMERA believes that ECPL will maintain a stable outlook in the medium term on the back of its experienced promoters. The outlook may be revised to 'Positive' if the company registers significant growth in its revenue and improvement in profitability while maintaining comfortable liquidity profile and capital structure. Conversely, the outlook may be revised to 'Negative' if the company registers significant deterioration in its liquidity profile or financial risk profile owing to higher-than-expected working capital requirements.

About the Rated Entity –Key Financials

For FY2016-17, ECPL reported PAT of Rs.0.22 crore on operating income of Rs.67.28 crore compared with PAT of Rs.0.07 crore on operating income of Rs. 41.64 crore in the previous year. Further, ECPL has tangible networth of Rs. 4.77 crore as on 31 March, 2017 as against Rs. 1.05 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: Not applicable

*Annexure – Details of instruments rated:

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/ Outlook
Cash credit	N.A	N.A	N.A	2.00	SMERA B/Stable (Assigned)
Proposed Cash credit	N.A	N.A	N.A	11.00	SMERA B/Stable (Assigned)
Letter of Credit	N.A	N.A	N.A.	5.00^	SMERA A4/Stable (Assigned)
Bank Guarantee	N.A	N.A	N.A.	5.00^	SMERA A4/Stable (Assigned)
Proposed Letter of Credit	N.A	N.A	N.A.	6.00	SMERA A4/Stable (Assigned)
Proposed Bank Guarantee	N.A	N.A	N.A.	6.00	SMERA A4/Stable (Assigned)

[^]Full interchangeability allowed between Letter of Credit and Bank Guarantee facility.

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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