

Press Release

EVEREST STARCH INDIA PRIVATE LIMITED

15 March, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 50.00 Cr.
Long Term Rating	SMERA BB+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of 'SMERA BB+' (read as SMERA BB plus) on the Rs. 50.00 crore bank facilities of EVEREST STARCH INDIA PRIVATE LIMITED. The outlook is 'Stable'.

Everest Starch (India) Pvt Ltd (ESIPL) set up in 2011 at Ahmedabad, Gujarat, is engaged in manufacturing of starch and derivative products. ESIPL's product range includes Corn Starch Powder, Paper Grade Modified starches, Textile Grade Modified Starches, Starches for Food & Pharmaceuticals and Corrugated Gum Products for packaging etc. The company has a manufacturing capacity of 400 MTPD.

Key Rating Drivers

Strengths

- Experienced management with three decades of business**

The promoters have significant experience in the agro industry. Mr. Pravinkumar Talaviya is having enriched experience of over 30 years in the agro-based industries and is managing partner/director in some of the companies in the same industry. Mr. Nagjibhai Vadodaria, director of the company has vast experience in the management of a manufacturing entity. The company enjoys a strong presence in the construction segment with long standing relations with central and state government agencies.

- Comfortable working capital cycle**

The company has a comfortable working capital cycle marked by WC days of 100 as on Mar 31, 2017 with inventory of 118 days, debtor days at 21 and creditors of 38 days. The company deals with mid level traders and manufacturers and thus has small credit cycle. Further, the GCA days stands at 130 for the year ending FY17. Going forward, the company is believed to maintain the current cycle.

Weaknesses

- Moderate financial risk profile**

The operating margins of the company dropped to 10.1% in FY17 compared to 11.17% in FY16, the net margins of the company stood low at 0.98% in FY17. The margins are under pressure due to increased domestic competition which is a result of drop in exports in the industry in the recent past. The company's financial risk profile improved with debt of Rs. 65.6 cr as on March 31, 2017 compared to Rs. 60.49 cr as on March 31, 2016, gearing is at 3.15 times as on March 31, 2017. The company did a capex of Rs. 12.08cr in FY17 for the expansion of manufacturing facilities impacting the overall risk profile.

- Competitive nature of industry; high dependence on environmental conditions**

The company competes with some of the major players in the agro based industry thus limiting the pricing power. Also, the company competes with unorganised segment which forms a major part of this market. Also, being highly dependent on the climatic conditions, the overall performance remains susceptible to any adverse changes in the former.

Analytical Approach

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

Outlook: Stable

Team believes that the outlook of the ESIPL will remain stable over the medium term on account of healthy revenue visibility. Outlook will be revised to positive if firm able to increase scale of operations while maintaining healthy profitability. On the contrary; the outlook will be revised to negative in a scenario of decline in the scale of operations resulting into decline in the revenues affecting margins and liquidity.

About the Group

NA

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	160.54	135.00	71.84
EBITDA	Rs. Cr.	16.21	15.08	12.44
PAT	Rs. Cr.	1.58	1.02	0.66
EBITDA Margin (%)	(%)	10.10	11.17	17.32
PAT Margin (%)	(%)	0.98	0.76	0.92
ROCE (%)	(%)	10.14	10.63	20.78
Total Debt/Tangible Net Worth	Times	1.38	1.33	1.61
PBDIT/Interest	Times	2.85	2.56	2.29
Total Debt/PBDIT	Times	3.07	3.00	3.06
Gross Current Assets (Days)	Days	130	130	179

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

Brickwork- Sep 13, 2017: "The rating was due for a review in February 2017. BWR took up with the issuer to provide required information over emails and through telephonic communication. Despite the best efforts of BWR to get at least the minimum required information for a review, the company has not provided the same. In the absence of adequate information from the issuer, BWR is unable to assess the issuer's financial performance and its ability to service its debt and maintain a valid rating. Hence, on account of inadequate information and lack of management co-operation, Brickwork Ratings has revised the ratings to BWR B+ ISSUER NOT COOPERATING**"

Any other information

NA

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.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	32.00	SMERA BB+ / Stable
Term Loan	Not Applicable	Not Applicable	Not Applicable	18.00	SMERA BB+ / Stable

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ABOUT SMERA

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