Press Release

INDIRA EXIM PRIVATE LIMITED

28 March, 2018

Rating Assigned

Total Bank Facilities Rated*	Rs. 15.00 Crore
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 double B)** on the Rs. 15.00 crore bank facilities of INDIRA EXIM PRIVATE LIMITED. The outlook is **'Stable'**.

The Maharashtra-based Indira Exim Private Limited (IEPL) was established in 2013 by Mr Agarwal and family. The company is engaged in the ginning and pressing of cotton. From FY2017, it also ventured into the manufacturing of cotton seed oil cake and oil under the brand name 'Makhan Bhog'. IEPL has installed capacity of 4300 quintals per day. The company largely caters to spinning mills, refineries, and traders across India. The day-to-day operations are led by Mr. Anil Agrawal and Mr. Devendra Agrawal.

Key rating drivers

Strengths

• **Experienced management**
The promoter and Director, Mr. Anil Agrawal has extensive experience in the cotton ginning industry. The promoters have developed healthy relations with customers and suppliers.

• **Increasing volume expected to improve financial risk indicators**
IEPL's revenue improved to Rs. 84.62 crore in FY2016-17 from Rs. 63.95 crore in FY2016-17 and Rs. 66.16 crore in FY2014-15. Also, IEPL registered revenue of Rs. 130.00 crore from April to January, 2018 (Provisional) mainly due to capacity expansion. The company undertook capacity expansion at a cost of around Rs. 6.50 crore is funded through capital infusion by promoters of Rs. 3.25 crore and by term loan of Rs. 3.25 crore. This is reflected by networth of Rs. 4.67 crore as on 31 March, 2017 as against Rs. 2.27 crore as on 31 March, 2016. The gearing (debt to equity) decreased to 2.90 times as on 31 March, 2017 from 1.95 times in the previous year. The Interest Coverage Ratio stood at a healthy 3.84 times for FY2017 as against 4.02 times in FY2016. The DSCR stood at 3.32 times in FY2017 compared to 3.59 times in the previous year. The total debt of Rs. 13.54 crore mainly comprises outstanding term loan of Rs. 4.53 crore, unsecured loan of Rs. 2.38 crore and working capital limit of Rs. 6.63 crore. The TOL/TNW stood at 4.40 times as on 31 March, 2017 as against 2.98 times in the previous year. The NCA/TD stood at 0.09 times in FY2017 as against 0.21 times in FY2016.

• **Efficient working capital management and adequate liquidity**
The company continues to efficiently manage its working capital requirement with Gross Current Asset (GCA) days at 59 for FY2017 as compared to 61 in the previous year. The low inventory and debtor days stood at 23 and 28 respectively for FY2016-17. Since the ginning unit is located in cotton producing belts of India, it ensures timely supply of raw material resulting in lower inventory holding. Further, the liquidity position remains comfortable because of adequate buffer between cash accruals and debt repayment obligation. The average cash credit limit utilisation stood at ~65 percent for the

six months ended October 2017.

Weaknesses

• **Highly fragmented cotton ginning industry**
IEPL operates in a highly fragmented industry. With limited value addition in cotton ginning the company has low bargaining power against customers and suppliers resulting in thin profitability.

• **Volatility in raw material prices, unfavorable government regulations**
Cotton prices are highly regulated by the government through MSP (Minimum Support Price). However, the purchase and selling price depends on the prevailing demand-supply situation restricting its bargaining power with suppliers and customers. Any adverse movement of cotton prices would further impact profitability.

• **Agro climatic risks**
Cotton is a seasonal crop and production of the same is highly dependent upon the monsoon. Thus, inadequate monsoon may affect the availability of cotton.

Analytical Approach
SMERA has considered the standalone business and financial risk profiles of Indira Exim Private Limited to arrive at the rating.

Outlook: Stable
SMERA believes that IEPL will maintain a Stable outlook and continue to benefit over the medium term from its established presence in the ginning industry and experienced management. The outlook may be revised to 'Positive' if the scale of operations increases substantially, while also improving operating profitability and coverage indicators. Conversely, the outlook may be revised to 'Negative' if IEPL's profit margins decline in the medium term resulting in fluctuations in raw material prices.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	84.62	63.95	66.16
EBITDA	Rs. Cr.	2.08	1.42	1.50
PAT	Rs. Cr.	0.65	0.33	0.26
EBITDA Margin	(%)	2.46	2.23	2.27
PAT Margin	(%)	0.76	0.51	0.39
ROCE	(%)	11.87	12.31	21.42
Total Debt/Tangible Net Worth	Times	2.90	1.95	2.52
PBDIT/Interest	Times	3.84	4.02	4.21
Total Debt/PBDIT	Times	6.40	3.07	3.23
Gross Current Assets (Days)	Days	69	31	31

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
• 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. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA BB / Stable
Term Loan	Not Applicable	Not Applicable	Not Applicable	3.25	SMERA BB / Stable
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.75	SMERA BB / Stable

Contacts

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ABOUT SMERA

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