

Press Release

Navjyot International Trading Private Limited

May 25, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 23.00 Cr.
Long Term Rating	SMERA BBB- / Outlook: Stable
Short Term Rating	SMERA A3

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BBB-**' (**read as SMERA triple B minus**) and short-term rating of '**SMERA A3**' (**read as SMERA A three**) on the Rs.23.00 crore bank facilities of Navjyot International Trading Private Limited. The outlook is '**Stable**'.

Navjyot International Trading Private Limited (NITPL), based out of Mumbai is engaged in trading and export of raw cotton, oil seeds, bird and animal feed, rice and processing of soya seeds. The company has 2-star export house status from the Government. Also, the company has forayed into manufacturing and export of soya bean meal from FY2015 with major sales being recorded in FY2017. The export contributes more than 95 percent of total revenue.

Key Rating Drivers

Strengths

- Experienced management:**

NITPL benefits from its experienced management as the promoters are in the trade business since 1980s. Mr. Abhishek Bhura (Director) is the third generation family member looking after the business. The company enjoys strong relationships with domestic suppliers and foreign textile mills along with other customers. Further, the company has forayed into soya bean meal manufacturing and supplying the same to US based players.

- Comfortable working capital cycle:**

The working capital cycle stood at 19 days as on March 31, 2017 with debtor days of 17 and inventory days of 21 as on March 31, 2017. Further, the working capital (WC) cycle is at 35 days with debtors of 64 days and creditors at 49 days as on Feb 28, 2018 (prov.). The GCA days stood at 46 as on March 31, 2017. Going forward, the WC intensity is expected to remain higher than the current levels due to increased production of soya bean meal but the same is expected to remain at comfortable levels.

Weaknesses

- Competitive and fragmented nature of business:**

The company is engaged in the cotton trading business. Cotton trading industry is marked by presence of several mid to big size manufacturers and traders. Moreover, a large segment of trading is done by the unorganised players. This exposes the company to competitive pressure, which may result in further impacting the current low profitability levels.

- **Financial risk profile impacted due to increased WC requirements**

The total debt of the company stood at Rs.6.17 crore with WC capital loan of Rs.5.10 crore and rest being the term loan as on March 31, 2017. Further, the WC borrowing levels of the company are expected to increase with manufacturing of meal. Total debt stood at Rs.19.59 crore with gearing at 1.33 times as on February 28, 2018 (Provisional). Though, the company has not increased long term loan for the capex of ~Rs.7.00 crore, which is incurred over a period of three years funded by internal accruals.

Analytical Approach:

For arriving at the rating, SMERA has considered the standalone business and financial risk profile of NITPL.

Outlook: Stable

SMERA believes that NITPL will maintain a 'Stable' over the medium term from the promoters' extensive experience in the trading industry. The outlook may be revised to 'Positive' in case of better-than-expected scale of operations and profitability along with efficient working capital management. Conversely, the outlook may be revised to 'Negative' if the company faces a considerable decline in revenue and profitability, or deterioration in working capital management impacting the liquidity.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	182.36	118.53	108.60
EBITDA	Rs. Cr.	4.48	2.47	2.51
PAT	Rs. Cr.	1.39	0.56	0.40
EBITDA Margin	(%)	2.45	2.08	2.31
PAT Margin	(%)	0.76	0.48	0.37
ROCE	(%)	25.25	10.06	15.87
Total Debt/Tangible Net Worth	Times	0.51	0.80	2.07
PBDIT/Interest	Times	2.06	1.56	1.34
Total Debt/PBDIT	Times	1.26	3.27	8.30
Gross Current Assets (Days)	Days	46	61	132

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

Not Applicable

Any other information:

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>
- Trading Entities - <https://www.smerra.in/criteria-trading.htm>

Note on complexity levels of the rated instrument:

<https://www.smerra.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
Term loans	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA BBB- /Stable
Export Packing Credit	Not Applicable	Not Applicable	Not Applicable	22.00	SMERA A3

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ABOUT SMERA

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