

Press Release

Navjyot International Trading Private Limited

November 06, 2019

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 38.00 Cr.
Long Term Rating	ACUITE BBB- / Outlook: Stable
Short Term Rating	ACUITE A3

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and short-term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs. 38.00 crore bank facilities of NAVJYOT INTERNATIONAL TRADING PRIVATE LIMITED. The outlook is '**Stable**'.

Navjyot International Trading Private Limited (NTPL), based out of Mumbai was incorporated in 2008. NTPL is engaged in processing of soya seeds and trading of soya meals, raw cotton, oil seeds, bird and animal feed, rice. The company has 2-star export house status from the Government. Exports contributes more than 95 percent to total revenue of the company.

Analytical Approach

Acuite has considered the standalone financial and business risk profile of NTPL to arrive at the rating.

Key Rating Drivers

Strengths

• Experienced management

NTPL is engaged in trading of soya meals, raw cotton, oil seeds, bird and animal feed, rice. The company was incorporated in 2008. The company is promoted by Mr. Abhishek Bhura. The promoter has been engaged in trading industry for over three decades. Mr. Abhishek Bhura, third-generation of the family has been looking after day to day business. Mr. Abhishek is supported by is Mr. Mahendra Ranka who holds experience of around a decade. The company enjoys strong relationships with domestic suppliers and foreign textile mills along with other customers.

Acuite believes the company will continue to benefit from the experience of the management in the medium term.

• Moderate financial risk profile

NTPL's financial risk profile is moderate, marked by a moderate network and gearing and above average debt protection metrics.

NTPL's network is moderate at around Rs. 19.06 crores as on March 31, 2019 as compared to Rs. 14.80 crore in last year. The company has followed a moderately conservative financial policy in the past, the same is reflected through regular infusion of unsecured loans to support working capital requirements and its peak gearing levels of 1.68 as on 31 March 2019 and total outside liabilities to tangible network (TOL/TNW) of 3.28 times as on March 31, 2019. The company incurred capex of Rs.5.88 crore over the last three years for installing processing plants, while its incremental working capital requirement over the same period has been around Rs. 26.6 crore to support the increase in scale of operations. NTPL's healthy cash accruals to the tune of about ~Rs. 4.8 crore for FY2019 have supported in minimizing the reliance on external debt lead to debt levels of ~Rs. 32 crores as on March 31, 2019 which includes unsecured loans of Rs.10.7 crore. NTPL's cash accruals over the next two years through 2021 are estimated to remain in the range of Rs. 6.7 to 8.6 crores which are comfortable to support the routine capex and incremental working capital requirements. As a result, the gearing is expected to moderate to around more than 1 times as on March 31, 2021 on back of absence of any major debt funded capex plan and healthy accretion to reserves.

The revenues of NTPL increased by CAGR of around 20 per cent to Rs. 223.7 crore during 2015-19, while its operating margins were remained stable in the range of 2-4 per cent. The moderate profitability levels coupled with moderate debt levels has led to above average debt protection measures. The NCA/TD and interest coverage ratio for FY 2019 were above average at 0.15 times and 3.2 times, respectively.

Weaknesses

• Working capital intensive operations

NTPL has stretched working capital cycle marked by GCA days of 118 days in FY2019 as against 70 days in FY2018. The receivables period increased to 96 days in FY2019 as against 41 days in FY2018. Inventory days stood stable at 11 days in FY2019 as against 17 days in FY2018. Payables period also increased to 56 days in FY2019 as compared to 22 days in FY2018. The working capital limit in NTPL is utilized at less than 80% on an average for the last six months ended September 2019.

• Competitive and fragmented nature of business

NTPL 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.

Rating Sensitivities

- Elongation of working capital cycle
- Improvement in scale of operations while maintaining profitability

Material Covenants

None.

Liquidity position: Adequate

NTPL has adequate liquidity marked by healthy net cash accruals to maturing debt obligations. NTPL generated cash accruals of Rs. 1.5 to 4.8 crore during the last three years through 2017-19, while its maturing debt obligations were in the range of Rs. 0.21 to 0.38 crore for the same period. The cash accruals of NTPL are estimated to remain around Rs. 6.7 to 8.7 crore during 2019-21 while its repayment obligations are estimated to be NIL during the same time. NTPL's operations are moderately working capital intensive but the company has kept moderate reliance on working capital borrowings, the cash credit limit in NTPL remains utilized at less than 80 percent during the last six months period ended September 2019. NTPL maintains unencumbered cash and bank balances of Rs. 0.23 crore as on March 31, 2019. The current ratio of NTPL stands healthy at 1.43 times as on March 31, 2019. NTPL is not likely to incur any major capex to be funded by external borrowing. Acuite believes that the liquidity of NTPL is likely to remain adequate over the medium term on account of no major repayments over the medium term.

Outlook: Stable

Acuite believes that NTPL 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 growth in scale of operations and profitability along with efficient working capital management. Conversely, the outlook may be revised to 'Negative' if the company faces a significant decline in revenue and profitability, or deterioration in working capital management impacting the liquidity.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	223.66	207.20	182.36
EBITDA	Rs. Cr.	9.23	6.79	4.48
PAT	Rs. Cr.	4.25	2.79	1.39
EBITDA Margin	(%)	4.13	3.28	2.45
PAT Margin	(%)	1.90	1.35	0.76
ROCE	(%)	20.86	25.17	51.52
Total Debt/Tangible Net Worth	Times	1.68	1.31	0.51

PBDIT/Interest	Times	3.18	2.68	2.06
Total Debt/PBDIT	Times	3.38	2.75	1.26
Gross Current Assets (Days)	Days	118	70	46

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

Not applicable.

Any other information

None.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
30-Jul-2019	Term Loan	Long Term	1.00	ACUITE BBB- (Indicative)
	Packing Credit	Short Term	22.00	ACUITE A3 (Indicative)
25-May-2018	Term Loan	Long Term	1.00	ACUITE BBB- / Stable (Assigned)
	Packing Credit	Short Term	22.00	ACUITE A3 (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Packing Credit	Not Applicable	Not Applicable	Not Applicable	35.00 (Enhanced from Rs 22.00 crore)	ACUITE A3 (Reaffirmed)
Term loan	Not Applicable	Not Applicable	Not Applicable	0.02	ACUITE BBB-/Stable (Reaffirmed)
Proposed	Not Applicable	Not Applicable	Not Applicable	2.98	ACUITE BBB-/Stable (Reaffirmed)

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About Acuité Ratings & Research:

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