

Press Release

Noorjahan Agro India

November 02, 2020



Rating Assigned

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| Total Bank Facilities Rated* | Rs. 6.68 Cr. |
| Long Term Rating | ACUITE B / Outlook: Stable (Assigned) |

* Refer Annexure for details

Rating Rationale

Acuité has assigned the long-term rating of '**ACUITE B**' (read as **ACUITE B**) on the Rs.6.68 crore bank facilities of Noorjahan Agro India. The outlook is '**Stable**'.

Uttar Pradesh- based Noorjahan Agro India (hereafter referred to as Noorjahan) was established in 2011 and is promoted and managed by Mohd. Dilnawaz and Mr. Haji Sadiq. The firm is engaged in the trading of live-stock. The stocks are being procured locally and are being sold to different parts of the country.

Analytical Approach

Acuité has considered the standalone financial and business risk profile of Noorjahan Agro India to arrive at the rating.

Key Rating Drivers

Strengths

- **Efficient working capital cycle**

Operations of the firm are working capital efficient marked by Gross Current Assets (GCA) of 82 days in FY2020 (Provisional) as against 66 days in FY2019. This is primarily on account of debtors' collection period of 73 days in FY2020 (Provisional) as against 47 days in FY2019. However, the current ratio stands low at 0.97 times as on 31 March 2020 (Provisional) as against 0.98 times as on 31 March 2019.

Weaknesses

- **Modest scale of operations**

The scale of operations of the firm is modest, and it stood at Rs.28.55 crore in FY2020 (Provisional), Rs.31.75 crore in FY2019 and Rs.29.62 crore in FY2018. Being in the trading business operating margin stood low in the range of 2.50-2.70 percent during the last three years under study.

- **Below average financial risk profile**

The financial risk profile of Noorjahan is below average marked by low net worth, high gearing levels and average debt protection metrics. The net worth of the firm reduced to Rs.0.59 crore as on 31 March 2020 (Provisional) from Rs.0.64 crore as on 31 March 2019 on account of capital withdrawal by the partners. The gearing (debt-equity) levels of the firm is high at 10.06 times as on 31 March 2020 (Provisional) as against 9.80 times as on 31 March 2019. Low profitability has led to average debt protection metrics marked by interest coverage ratio (ICR) of 1.14 times in FY2020 (Provisional) as against 1.14 times in FY2019. The firm is primarily reliant on external debt for its working capital requirements this has led to high TOL/TNW of 11.77 times as on 31 March 2020 as against 9.80 times as on 31 March 2019 and Debt-EBITDA of 7.79 times in FY2020 (Provisional) as against 7.68 times in FY2019. Going forward, Acuité believes that the financial risk profile of the firm will remain below average marked by low net cash accruals coupled with high external debt.

Liquidity Position: Stretched

Noorjahan has stretched liquidity marked by average working capital utilization of 100 percent for the last six month ended August-2020 and current ratio below 1 during the last three years under study. The firm generated net cash accruals of Rs.0.10 crore for FY2020 (Provisional) vis-à-vis its repayment obligations of Rs.0.04 crore for the same period. Acuité believes that the liquidity of the firm is likely to remain stretched over the medium term on account of low profitability.

Rating Sensitivities

- Higher than expected operating performance while improving profitability
- Any deterioration in financial risk profile

Outlook: Stable

Acuité believes Noorjahan will continue to benefit over the medium term from its long track record of operation. The outlook may be revised to 'Positive' in case the firm registers higher-than-expected growth in revenues while achieving sustained improvement in profit margins and financial risk profile. Conversely, the outlook may be revised to 'Negative' in case the firm fails to achieve the expected revenues, or in case of further deterioration in the financial risk profile.

About the Rated Entity - Key Financials

| | Unit | FY20 (Provisional) | FY19 (Actual) |
|-------------------------------|---------|--------------------|---------------|
| Operating Income | Rs. Cr. | 28.55 | 31.75 |
| PAT | Rs. Cr. | 0.08 | 0.09 |
| PAT Margin | (%) | 0.29 | 0.27 |
| Total Debt/Tangible Net Worth | Times | 10.06 | 9.80 |
| PBDIT/Interest | Times | 1.15 | 1.14 |

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

Not Applicable

Any other information

Not Applicable

Any Material Covenants

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-61.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Up to 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 | 5.57 | ACUITE B/ Stable (Assigned) |
| Proposed Bank Facility | Not Applicable | Not Applicable | Not Applicable | 1.11 | ACUITE B/ Stable (Assigned) |

Contacts

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About Acuité Ratings & Research:

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