

Press Release

Noorjahan Agro India

March 16, 2022



Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	6.68	ACUITE B Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	6.68	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed its 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**'.

Rationale for rating reaffirmation

The rating reaffirmation consider the comforts drawn from improving scale of operations, efficient working capital management and experienced management. The firm's financial risk profile continues to remain average. Acuite expects the business profile and scale of operations is likely to improve over the medium term. However, the rating remains constrained on account of average financial risk profile and stretched liquidity position.

About the Company

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

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

Key Rating Drivers

Strengths

Experienced management

Noorjahan Agro India was established in 2011. The firm is promoted and managed by Mohd. Dilnawaz and Mr. Haji Sadiq. The partners have an experience of over a decade in the industry.

Acuite believes that the NAI will continue to benefit from its experienced management over the medium term.

Efficient working capital cycle

The operations of the firm are working capital efficient marked by Gross Current Assets (GCA) of 46 days in FY2021 as against 111 days in FY2020. This is primarily on account of debtors' collection period of 37 days in FY2021 as against 84 days in FY2020. However, the average bank limit utilization stood high and fully utilized at around 99 percent for the last 8 months ended December 2021.

Acuité believes that efficient working capital management will be crucial to the firm in order to maintain a healthy risk profile.

Weaknesses

Modest scale of operations

The scale of operations of the firm is modest, and it stood at improved and stood at Rs.52.25 crore in FY2021 as against Rs.18.26 crore in FY2020. However, the operating margin of the firm declined and stood at 1.45 percent in FY2021 as against 4.00 percent in FY2020. Also, PAT margin stood at 0.20 percent in FY2021 as against 0.31 percent in FY2020. The ability of the firm to improve its scale going forward will remain a key rating sensitivity.

Average financial risk profile

The financial risk profile of the firm stood average marked by low net worth, high gearing and moderate debt protection metrics. The tangible net worth stood at Rs.0.73 crore as on March 31, 2021 as against Rs.0.65 crore as on March 31, 2020. The total debt of the firm stood at Rs.6.87 crore includes Rs.1.27 crore of long term debt and Rs.5.60 crore of short term debt as on March 31, 2021. The gearing (debt-equity) stood at 9.46 times as on March 31, 2021 as compared to 9.09 times as on March 31, 2020. Interest Coverage Ratio stood at 1.17 times for FY2021 as against 1.10 times for FY2020. Debt Service Coverage Ratio (DSCR) stood at 1.17 times for FY2021 as against 1.10 times for FY2020. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 9.66 times as on March 31, 2021 as against 9.17 times on March 31, 2020. Net Cash Accruals to Total Debt (NCA/TD) also stood at 0.02 times for FY2021 as against 0.01 times for FY2020.

Acuité believes that the financial risk profile of the firm is expected to remain at the same level over the medium term.

Rating Sensitivities

Improvement in the scale of operations along with improvement in the profitability margins. Stretch in the working capital management leading to any negative impact on the liquidity profile.

Any further deterioration in financial risk profile.

Material covenants

None.

Liquidity Position: Stretched

The firm has stretched liquidity marked by high bank limit utilization and moderate net cash accrual to its maturing debt obligations. The firm's working capital operation stood efficient marked by GCA days of 46 days in FY2021 as against 111 days in FY2020. The current ratio of the firm stood at 1.15 times as on March 31, 2021. The average bank limit utilization stood fully utilized at around 99 percent for the last 8 months ended February 2022. However, the firm generated cash accruals of Rs.0.11-0.07 crore during the last three years through 2019-21, as against maturing debt obligation of Rs.0.06-0.01 crore during the same period. Going forward, the firm will generate cash accruals of Rs.0.07-0.33 crore during the last three years through 2019-21, as against maturing debt obligation of Rs.0.04-0.50 crore during the same period.

Outlook: Stable

Acuité believes Noorjahan will continue to benefit over the medium term from its experienced management. 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.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	52.25	18.26
PAT	Rs. Cr.	0.10	0.06
PAT Margin	(%)	0.20	0.31
Total Debt/Tangible Net Worth	Times	9.46	9.09
PBDIT/Interest	Times	1.17	1.10

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-52.htm>
- Trading Entity: <https://www.acuite.in/view-rating-criteria-61.htm>
- Application Of 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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
02 Nov 2020	Proposed Bank Facility	Long Term	1.11	ACUITE B Stable (Assigned)
	Cash Credit	Long Term	5.57	ACUITE B Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
The Jammu and Kashmir Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.57	ACUITE B Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.11	ACUITE B Stable Reaffirmed

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About Acuité Ratings & Research

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