

Press Release

Niket Food Products Private Limited

April 03, 2023



Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	40.00	ACUITE BBB Stable Assigned	-
Bank Loan Ratings	30.00	-	ACUITE A3+ Assigned
Total Outstanding Quantum (Rs. Cr)	70.00	-	-

Rating Rationale

Acuite has assigned the long term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) and short term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) on the Rs. 70.00 Cr bank facilities of Niket Food Products Private Limited (NFPPL). The outlook is '**Stable**'.

Rating Rationale

The rating takes into account the steady growth in the scale of operations of the company, efficient working capital management and healthy financial risk profile of the company characterized healthy debt coverage indicators. The rating also factors the experienced management and long track of the company's operations. The adequate liquidity position of the company further supports the rating. These strengths are, however, offset by geographical concentration risk, susceptibility to intense competition and regulatory risk in the agro commodity industry.

About the Company

Incorporated in 2002, Niket Food Products Private Limited (NFBPL), a Kolkata based company is engaged in the trading of agricultural products namely, maize, rice, soya doc, bajra, pulses and wheat, with major focus on maize. The company is headed by Mr. Nawal Kishore Ladha having more than 20 years of experience in this field. The company mainly store the agricultural commodities at Dalkhola, West Bengal godown.

Analytical Approach

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

Key Rating Drivers

Strengths

Long standing operations and experienced promoters

NFPPL has over two decades of operational track record in the trading business of agricultural products in domestic and international market. Further, the promoters, Mr. Nawal Kishore Ladha, Mr. Manoj Kumar Ladha, Smt. Sunita Ladha and Mr. Raju Ladha have

extensive experience of over two decades in the procurement, sorting, processing & distribution of agricultural commodities. Acuité believes that the long operational track record of NFPPL and promoters' extensive understanding and expertise will benefit the company going forward, resulting in steady growth in the scale of operations.

Healthy financial risk profile

The company's healthy financial risk profile is reflected by modest net worth base, moderate gearing and strong debt protection measures. The tangible net worth of the company increased to Rs.32.41 Cr as on March 31, 2022 from Rs.11.86 Cr as on March 31, 2021 due to accretion of profits. Gearing of the company improved and stood at 1.30 times as on March 31, 2022 as against 2.27 times in the previous year. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 2.22 times as on March 31, 2022 as against 3.23 times as on March 31, 2021. Moreover, the strong debt protection metrics is marked by Interest Coverage Ratio (ICR) at 7.93 times as on March 31, 2022 and Debt Service Coverage Ratio at 6.19 times as on March 31, 2022. The surge in earnings in FY2022 supported by minimal debt and high accruals led to further improvement in the credit metrics. The Net Cash Accruals/Total Debt (NCA/TD) stood at 0.49 times as on March 31, 2022. Acuité believes that going forward the financial risk profile of the company will be sustained backed by steady accruals and no major debt funded capex plans.

Significant improvement in business risk profile

The company has witnessed a significant increase in revenue marked by Rs.396.32 Cr in FY2022 as against Rs.309.14 Cr in the previous year on account of increased export opportunities due to various initiatives taken through APEDA. Further, the Russia-Ukraine war crisis aided India with openings for exporting maize and other food grains to the world in the current year. Moreover, the primary product of NFPPL is maize and the sole exporting country is Bangladesh which led to the increased revenue in FY2022 as maize exports from India rebounded sharply in 2021-22 to top \$1-billion mark (22 per cent Y-o-Y) and Bangladesh being one of the major export destinations of India has imported maize worth USD 345.5 million in 10MFY2022. Moreover, the company has registered a revenue of Rs.470.35 Cr for 11MFY2023, with exports comprising ~79% of the total sales. Acuité believes that the rising export opportunities and sustenance of the regular order pipeline will continue to aid in the growth of the scale of operations of the company in the near term.

The operating margin of the company increased significantly to 7.93 per cent in FY2022 as against 2.07 per cent in FY2021 primarily due to inventory gain and increased average realization on the back of record production of maize (32.42 million tonnes) in FY2022. Further, the selling expenses declined on account of decline in the demurrage and freight charges in FY2022. Moreover, the PAT margin rose to 5.18 per cent in FY2022 as against 1.03 per cent in the previous year. The rising profitability margins and asset-light nature of the business have translated into healthy RoCE levels which stood at 55.49 per cent in FY2022 as against 20.18 per cent in FY2021. Acuité believes that, going forward also, the company is expected to maintain healthy profitability margins, even though exposed to forex fluctuations.

Weaknesses

Geographical concentration risk

The company remains exposed to geographical concentration risk as Bangladesh accounts for the major portion of the total revenues. During FY2022, ~84 per cent of the total operating income were derived from exports to customers based out of Bangladesh. Acuité believes that diversification of the customer base will remain a key rating sensitivity. Any changes in the trade policy of Bangladesh can impact the operations of NFPPL.

Regulatory risk in the agro commodity industry

The price and trade of commodities is highly vulnerable to export restrictions by the government depending on domestic demand-supply scenario and level of inflation. Thus, any adverse change in government policies can affect volumes and margins of the industry players. Being involved in agro-commodity trading, the company also remains exposed to agro-climatic risks, changing crop patterns and the associated cyclicity in the business.

Rating Sensitivities

- Further improvement in operating income along with sustenance of the profitability margins
- Diversification into other countries for export
- Elongation in the working capital cycle

Material covenants

None.

Liquidity Position

Adequate

The company's liquidity position is adequate marked by net cash accruals of Rs.20.64 Cr in FY2022 as against long term debt repayment of only Rs.0.50 Cr over the same period. The current ratio stood comfortable at 1.77 times as on 31st March, 2022 as compared to 1.71 times as on 31st March, 2021. The cash and bank balances of the company stood at Rs.3.88 Cr in FY2022 as compared to Rs.8.53 Cr in FY2021. Further, the working capital management of the company is efficient marked by Gross Current Assets (GCA) of 93 days in FY2022 as compared to 57 days in FY2021. Acuite believes that going forward the company will maintain adequate liquidity position due to steady accruals.

Outlook: Stable

Acuite believes that the outlook on NFPPL will remain 'Stable' over the medium term on account of the experience of the promoters, long track record of operations, the growing business risk profile and the healthy average financial risk profile. The outlook may be revised to 'Positive' in case the company continues to register consistent growth in revenues while sustaining their profit margins and capital structure. Conversely, the outlook may be revised to 'Negative' in case of a decline in the company's revenues or profit margins, or in case of deterioration in the company's financial risk profile and liquidity position.

Other Factors affecting Rating

None.

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	396.32	309.14
PAT	Rs. Cr.	20.55	3.19
PAT Margin	(%)	5.18	1.03
Total Debt/Tangible Net Worth	Times	1.30	2.27
PBDIT/Interest	Times	7.93	2.95

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

None

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

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels

of risk. For more details, please refer Rating Criteria “Complexity Level Of Financial Instruments” on www.acuite.in.

Rating History:

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Union Bank of India	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	5.38	ACUITE BBB Stable Assigned
Bank of India	Not Applicable	Packing Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE A3+ Assigned
Union Bank of India	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	Simple	25.00	ACUITE A3+ Assigned
Not Applicable	Not Applicable	Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	34.62	ACUITE BBB Stable Assigned

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About Acuité Ratings & Research

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