



**Press Release**  
**Niket Food Products Private Limited**  
**July 01, 2024**  
**Rating Downgraded**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	40.00	ACUITE BBB-   Stable   Downgraded	-
Bank Loan Ratings	30.00	-	ACUITE A3   Downgraded
<b>Total Outstanding Quantum (Rs. Cr)</b>	70.00	-	-

**Rating Rationale**

Acuite has downgraded the long-term rating to '**ACUITE BBB-**' (read as **ACUITE t riple B minus**) from '**ACUITE BBB**' (read as **ACUITE t riple B**) and short-term rating to '**ACUITE A3**' (read as **ACUITE A three**) from '**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**'.

**Rationale for Rating**

The rating has downgraded due to moderation of business risk profile leading to erosion of operating profitability. The customer and geographical presence of the company has shifted from international to domestic market due to dollar crisis in Bangladesh and export ban on agri-products therein. The Company faced challenges in sustaining itself in a competitive domestic market leading to erosion of profitability. The rating considers the experienced management and long track of the company's operations of the company, efficient working capital management. These strengths are, however, offset by marginally decline in business risk profile, moderate financial risk profile, susceptibility to intense competition, regulatory risk in the agro commodity industry.

**About the Company**

Incorporated in 2002, Niket Food Products Private Limited (NFPPL), 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.

**Unsupported Rating**

Not applicable.

**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 NFPL and promoters' extensive understanding and expertise will benefit the company going forward, resulting in steady growth in the scale of operations.

### **Efficient working capital management**

The efficient working capital management of the company is marked by Gross Current Assets(GCA) of 26 days in FY24(prov) as against 61 days in the previous year. The debtor period improved to 8 days as on March 31, 2024 (Prov) as against 21 days in the previous year on the back of increase in local sales during the year. Also, the inventory period stood low at 3 days as on March 31, 2024(prov) as against 2 days in the previous year. Procurement of raw material is done directly from the farmers so credit cycle in terms of creditors remains negligible being working on cash structure model. Going forward, Acuité believes that the working capital management of the company will remain almost at the same level over the medium term as evident from the efficient collection mechanism and low inventory levels.

### **Weaknesses**

#### **Decline in scale of operations and profitability**

The operations of the company declined in operating income to Rs 426.70 crore in FY24(Prov) as against Rs. 471.51 crore in FY23. The decline in the operations was majorly on account of reduced export revenues from Bangladesh. The company had recorded ~10% export sales in FY24 as compared to ~78.89% in FY23 due to export ban of wheat and Maize by Indian government and dollar crisis in Bangladesh. Company had achieved revenue of Rs ~267.00 Cr. till 10<sup>th</sup> June 2024 largely from the domestic market. In addition to that, company has order in hands of Rs ~51 Cr. as on 10<sup>th</sup> June 2024. Though the export sales had been reduced but the demand of the product has increased in ethanol industry as maize is considered an ideal agricultural produce for manufacturing of ethanol and company had diversified its business in this industry also from last year. Acuité believes that 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.

Operating margin declined and stood at 0.10% in FY24(Prov) as against the 7.70% in FY23 because profitability in the domestic market is very low due to high competition and increase in freight cost as major sales were carried out in southern part of India. Moreover, the PAT margin stood to negligible in FY24(Prov) as against 5.09 per cent in FY2023. The decline in profitability margins mainly due to decrease in operating margins. Acuité believes that, going forward also, the company is expected to improve its profitability margins slightly, even though there is decline in export revenue.

#### **Moderate financial risk profile**

The company's financial risk profile is reflected by moderate net worth base, low gearing and average debt protection measures. The tangible net worth of the company stood at the same level of Rs.56.43 Cr. as on March 31, 2024(Prov), from Rs.56.42 Cr. as on March 31, 2023. Gearing of the company increased and stood at 0.55 times as on March 31, 2024(Prov), as against 0.15 times in the previous year. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at same level of 0.55 times as on March 31, 2024(Prov), as against 0.50 times as on March 31, 2023. Also, the debt protection metrics is marked by Interest Coverage Ratio (ICR) and Debt Service Coverage Ratio(DSCR) at 1.06 times as on March 31, 2024(Prov), as against 9.70 times and 7.39 times respectively as on March 31, 2023 which is leading to decline in the ICR and DSCR of the company in the FY 24 (Prov) as compared to FY 23. Acuité believes that going forward the financial risk profile of the company will be sustained backed by expected improvement in accruals and no major debt funded capex plans.

#### **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. In addition to that there is thin line of margin in the domestic market. Being involved in agro-commodity trading, the company also remains exposed to agro-climatic risks,

changing crop patterns and the associated cyclicalities in the business.

## **Rating Sensitivities**

- Improvement in operating income along with improvement in margins
- Elongation in the working capital cycle

## **Liquidity Position**

### **Adequate**

The company's liquidity position is adequate though marked by lower net cash accruals of Rs 0.07 Cr. in FY2024(Prov) as against Rs. 24.08 Cr. in FY23. The current ratio stood moderate at 1.80 times as on 31st March 2024(Prov) as compared to 3.36 times as on 31st March 2023. The cash and bank balances of the company stood at Rs 12.02 Cr. in FY2024(Prov) as compared to Rs 29.45 Cr. in FY2023. Acuite believes that net cash accruals are expected to be just about sufficient to pay the current portion of long-term debt of current year. Further, the working capital management of the company is improved and efficient marked by Gross Current Assets (GCA) of 26 days in FY2024(Prov) as compared to 61 days in FY2023. Further Acuite believes that going forward the company will maintain adequate liquidity position due to steady accruals, and absence of major debt funded capex with the company.

## **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 with the growing and diversified business risk profile.

## **Other Factors affecting Rating**

None.

## Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	426.70	471.51
PAT	Rs. Cr.	0.01	24.01
PAT Margin	(%)	0.00	5.09
Total Debt/Tangible Net Worth	Times	0.55	0.15
PBDIT/Interest	Times	1.06	9.70

### 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>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Trading Entities: <https://www.acuite.in/view-rating-criteria-61.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](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
03 Apr 2023	Packing Credit	Short Term	5.00	ACUITE A3+ (Assigned)
	PC/PCFC	Short Term	25.00	ACUITE A3+ (Assigned)
	Covid Emergency Line.	Long Term	5.38	ACUITE BBB   Stable (Assigned)
	Proposed Cash Credit	Long Term	34.62	ACUITE BBB   Stable (Assigned)

## 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 avl. / Not appl.	Covid Emergency Line.	Not avl. / Not appl.	Not avl. / Not appl.	31 Mar 2027	Simple	5.38	ACUITE BBB-   Stable   Downgraded ( from ACUITE BBB )
Bank of India	Not avl. / Not appl.	Packing Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	ACUITE A3   Downgraded ( from ACUITE A3+ )
Union Bank of India	Not avl. / Not appl.	PC/PCFC	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	25.00	ACUITE A3   Downgraded ( from ACUITE A3+ )
Not Applicable	Not avl. / Not appl.	Proposed Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	34.62	ACUITE BBB-   Stable   Downgraded ( from ACUITE BBB )

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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