

Infomerics Valuation And Rating Pvt. Ltd.

Press Release

Logan Minerals Private Limited

November 20, 2019

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action
Long/Short Term Bank Facilities	3.00	IVR BBB-/Stable and IVR A3 (IVR Triple B Minus with Stable Outlook/ IVR A Three)	Assigned
Short Term Bank Facilities	25.00 (including proposed limit of Rs.6.40 crore)	IVR A3 (IVR A Three)	Assigned
Total	28.00		

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of Logan Minerals Private Limited (LMPL) derive comfort from its experienced promoters with satisfactory track record, growing scale of operation with stable financial performance of the Apical group. Further, the ratings also consider the Apical group's comfortable financial risk profile marked by its satisfactory gearing and debt protection metrics with minimal debt repayment obligations and steady demand outlook for rice. However, the rating strengths are partially offset by its thin profit margins, intense competition in domestic and export market, exposure to foreign exchange fluctuation risk and working capital intensive nature of operations.

Key Rating Sensitivities:

Upward Rating Factors:

- Steady growth in scale of operations
- Improvement in profitability

Downward Rating Factors:

- Deterioration in the capital structure
- Any negative government regulation

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List of Key Rating Drivers with detailed description

Key Rating Strengths

Experienced promoter with satisfactory track record of operations

The Apical group has a satisfactory track record of more than a decade in trading operations. The promoters, Mr. Rakesh Kumar Singhania and Mrs. Sushma Devi Singhania are having more than a decade of experience in trading of various products including, non-basmati rice, coal, billet, pig iron, fines etc.

Growing scale of operations with stable financial performance

The Apical group on a combined basis has achieved continuous growth in its total operating income with stable financial performance over the years. Over the past three years (FY17-FY19) the group has achieved a compounded annual growth rate (CAGR) of ~8% with a y-o-y growth of ~20% in FY19. Further, the group continued to post healthy growth in its total operating income during H1FY20. During H1FY20, the group has achieved a PBT of Rs.5.08 crore (Rs.3.55 crore in FY19) on a total operating income of Rs.119.65 crore (Rs.96.08 crore in H1FY19). On a standalone basis, LMPL has achieved a compounded annual growth rate (CAGR) of ~15% with a y-o-y growth of ~ 24% in FY19.

Comfortable financial risk profile marked by satisfactory gearing and debt protection metrics with minimal debt repayment obligations

The Apical group on a combined basis, has satisfactory financial risk profile over the years. Moreover, with negligible long term debt in the capital structure the credit risk profile of the group remained comfortable with minimal debt repayment obligation in the near term. The debt equity and overall gearing ratio of the group stood satisfactory at 0.05x and 0.99x respectively as on March 31, 2019 [0.6x and 1.26x as on March 31, 2018]. The interest coverage ratio remained comfortable and improved from 2.97x in FY18 to 3.19x in FY19. On a standalone basis, the capital structure of the company remained moderate with a long term debt equity and the overall gearing ratio of 0.09x and 1.85x respectively as on March 31, 2019. The interest coverage ratio also remained comfortable at 3.29x in FY19.

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Steady demand outlook for rice

India has been the top exporter in global rice trade, accounting for more than 20% of the export in the last few years. Indian rice caters to the Middle East and Africa for non-Basmati, and the EU and the US for Basmati variety. With the increasing demand for rice globally, the exports are increasing from India. India being the second largest producer of rice holds a key position in the rice export market and the Indian rice exporters like the Apical group is expected to benefit further.

Key Rating Weaknesses

Thin profit margin

The operating margin of the Apical group remained thin due to its trading nature of operations marked by limited value addition and limited product differentiation with intense competition remained stable over the past period.

Intense competition in domestic and export market

Trading of non-basmati rice segment is highly competitive marked by presence of many organised and unorganised players in the domestic as well as in the export market. Low entry barriers coupled with low technologies requirement makes the trading operations vulnerable and limits the pricing flexibility.

Exposure to foreign exchange fluctuations

Being an export oriented unit, the Apical group is exposed to risk of forex fluctuation. However, the group use proper hedging mechanism through PCFC account and forward contracts.

Working capital intensive nature of operations

The operations of the Apical group are working capital intensive marked by its high debtors collection period and inventory holding requirements for prompt supply of its traded materials. The average utilisation of its fund based limit remained on higher side at 89.33% during last twelve months ended in April, 19. However, the counter party default risk is on the lower side as its foreign clients are again backed by DA/DP (document against acceptance/document against payment).

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Analytical Approach: For arriving at the ratings, INFOMERICS analytical team has combined the financials of Apical Exim Private Limited (AEPL) and Logan Minerals Private Limited (LMPL) as the said entities are under common management, engaged in the similar line of operations and there is cash flow fungibility.

Applicable Criteria

Rating Methodology for Trading Companies

Financial Ratios and Interpretation (Non-financial sector)

Liquidity

The liquidity position of the Apical group appears to be strong marked by its comfortable current ratio at 1.71 as on March 31, 2019. Further, the liquidity is further strengthened by its negligible debt repayment obligations vis-à-vis its gross cash accruals. On a standalone basis, LMPL also has a current ratio of 1.36x as on March 31, 2019, with no repayments scheduled.

About the Company

Logan Minerals Private Limited (LMPL) incorporated in 2009 is a part of Kolkata based Apical Group promoted by Mr. Rakesh Kumar Singhania and Mrs. Sushma Devi Singhania having more than a decade of experience in trading. Also, they are handling the helm of affairs of the company. The group is predominantly engaged in trading and export of non-basmati rice and other food items.

Financials (Combined):

	(Rs. crore)	
For the year ended* / As On	31-03-2018	31-03-2019
	Combined	Combined
Total Operating Income	176.04	212.31
EBITDA	6.71	7.02
PAT	2.57	3.19
Total Debt	33.20	29.29
Tangible Net worth	26.32	29.52
EBITDA Margin (%)	3.81	3.31
PAT Margin (%)	1.46	1.50
Overall Gearing Ratio (x)	1.26	0.99

*Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

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Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17
1.	Long/Short Term Bank Facilities*-PCFC/CC	Long/Short Term	3.00	IVR BBB-/Stable and IVR A3	-	-	-
2.	Short Term Bank Facilities –PCFC	Short Term	20.00 (including proposed limit of Rs.5.00 crore)	IVR A3	-	-	-
3.	Short Term Bank Facilities – Gold Limit (20% of PCFC)	Short Term	4.60 (including proposed limit of Rs.1.00 crore)	IVR A3	-	-	-
4.	Short Term Bank Facilities – Forward Cover	Short Term	0.40 (including proposed limit of Rs.0.40 crore)	IVR A3	-	-	-

* CC limit of Rs.3.00 crore is a sublimit of PCFC Limit.

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
PCFC/CC*	-	-	-	3.00	IVR BBB-/Stable and IVR A3
PCFC	-	-	-	20.00 (including proposed limit of Rs.5.00 crore)	IVR A3
Gold Limit (20% of PCFC)	-	-	-	4.60 (including proposed limit of Rs.1.00 crore)	IVR A3
Forward Cover	-	-	-	0.40 (including proposed limit of Rs.0.40 crore)	IVR A3

* CC limit of Rs.3.00 crore is a sublimit of PCFC Limit.