



## Press Release

### Nagreeka Exports Limited (NEL)

February 18, 2022

#### Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	100.38	IVR BBB- / Negative (IVR Triple B Minus with Negative Outlook)	Revised	Simple
Short Term Bank Facilities	148.33	IVR A3 (IVR A Three)	Revised	Simple
<b>Total</b>	<b>248.71</b> <b>(Two Hundred and Forty-Eight Crore and Seventy-One Lacs)</b>			

Details of Facilities are in Annexure 1

#### Detailed Rationale

The revision in rating of the bank facilities of Nagreeka Exports Limited factors in improved financial performance of 9MFY22 and operational policy of having 100% order backed inventory negating raw material price risk to a major extent. In line with 9MFY22, Company expects substantial improvement in FY22, resulting in strengthening of capital structure.

The ratings continue to derive strength from Experienced promoters and established presence in the yarn export segment and Quality products with reputed and diversified client base with a healthy order book. Rating continues to remain constrained on account of Foreign Exchange fluctuation risk, Country Concentration Risk and Cyclical & Fragmented Nature of Industry.

#### Key Rating Sensitivities:

##### Upward Factors

- Significant improvement in net cash accrual through improved scale of operations and improvement in profitability along with significant geographical diversification

##### Downward Factors



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- If there is a sustained pressure on the company's operating performance or upon elongation of its working capital cycle or any significant debt-funded capex, which would adversely impact its credit metrics and liquidity position.
- Company's ability to repay its dues in a timely manner remain a key monitorable.

### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

##### Long Operational Track Record; Experienced Management

NEL has an operating record of over 30 years with promoters having experience of over 40 years in textile industry. This has enabled Company to establish strong relationships with various counterparties including suppliers and customers. The promoters have also extended support to the company, in the past, by way of infusion of funds, in the form of preferential shares and unsecured loan.

##### Diversified Products with Strong Client Base

NEL offers a wide variety of products ranging from the Ne 21 to Ne 60, of different counts – all the yarns produced are pure cotton. The company also has well established relations with various reputed companies like Nike, Reebok, Tommy Hilfiger, Levi Strauss, Wal-Mart, H&M. They have their clients located in various countries with the majority of the sales going into Bangladesh, Germany and Turkey.

##### Expected Improvement in Financial Profile

During 9MFY22 revenue has improved to Rs.395.62 crore as against Rs.271.75 crore in 9MFY21. Further profitability of the company has also improved. The EBITDA margin stood at 5.79% in 9MFY22. Order book of INR250Crore as on 31<sup>st</sup> December, 2021, provide revenue visibility.

#### Key Rating Weaknesses

##### Foreign Exchange fluctuation risk

The company is exposed to currency fluctuation risk to the extent that there is a mismatch between the currencies in which Export sales, import purchase, other expenses and



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borrowings in foreign currency are denominated and the functional currency of the company. The currencies in which these transactions are primarily denominated are Euro and USD. At any point in time, NEL generally hedges its estimated foreign currency exposure in respect of its forecast sales over the following three to six months. The company uses forward exchange contracts to hedge its currency risk. Such contracts are generally designated as cash flow hedges. NEL has zero unhedged position as on 30.09.21.

### **Country concentration risk**

The primary country into which they export cotton yarn is Bangladesh, which accounts to over 30% of the total exports amounting to INR96.11crore in FY2021. This exposes the firm to political risks, currency fluctuation risk and country risk. High country specific exports of the Company has been in line with Indian cotton yarn exports of over 30% to Bangladesh in FY21.

**Cyclical & fragmented nature of industry:** The cotton spinning industry is characterized by cyclicity, fragmentation and high capital intensity. Raw material cost forms a major component of cost and players operate at very low margins. Economies of scale and level of integration is the key to profitable operations.

**Analytical Approach:** Standalone

### **Applicable Criteria:**

[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

### **Liquidity – Stretched**

The liquidity of the company is stretched with current ratio just above unity at 1.13x in FY21. Company's gross cash accruals is negative with a cash and bank balance of INR3.44crore, as against their CPLTD amount to INR12.14crore, along with high utilised bank limits with an average utilisation of around 85%-90% for 12 months ended December 2021.

### **About the Company**



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Nagreeka Exports Ltd. was incorporated in West Bengal on 6<sup>th</sup> March 1989. The company was promoted by late Mr. Ishwarlal Patwari and his family to undertake their family business of yarn trade. They pursued exporting of cotton yarn to mainly Bangladesh and other countries and decided to set up its own spinning mill in 1993 to overcome the yarn shortage and cater to its existing customer base. The Company's export-oriented Cotton Spinning Unit with a capacity of 55440 spindles is located in Kolhapur, Maharashtra. The Company is producing about 7500 TPA of World Class normal and organic cotton yarn in the count range from English count (Ne) 20s to 61s with an average production count of Ne 39s-doublecombed and carded suitable for knitting and weaving sector for both export and domestic markets.

### Financials (Standalone)\*:

(In Crore)

For the year ended / As on	31-03-2019	31-03-2020	31-03-2021
	(Audited)	(Audited)	(Audited)
Total Operating Income	607.79	476.88	385.32
EBITDA	19.88	17.74	7.25
PAT	3.13	0.68	-8.32
Total Debt	172.71	177.11	207.60
Tangible Net-Worth	112.21	106.47	100.80
<b>Ratios</b>			
EBITDA Margin (%)	3.28	3.76	1.88
PAT Margin (%)	0.52	0.14	-2.16
Overall Gearing Ratio (x)	1.54	1.66	2.06

\* Classification as per Infomerics' standards

**Status of non-cooperation with previous CRA:** Care Ratings vide its press release Dated March 12, 2021 has classified the rating of bank facilities of NEL under Issuer Not Cooperating status on account of non-submission of relevant information

**Any other information:** None

**Rating History for last three years:**



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Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21 (November 03, 2020)	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Long Term Bank Facilities	Long Term	100.38	IVR BBB- / Negative  IVR BB+ / Credit Watch with Developing implications (02/02/22)	IVR BBB- / Negative	--	--
2.	Short Term Bank Facilities	Short Term	148.33	IVR A3  IVR A4+ (02/02/22)	IVR A3		

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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. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.

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security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
CCECL/WCTL	-	-	FY23	9.44	IVR BBB-/ Negative
GECL	-	-	FY27	40.94	IVR BBB-/ Negative
CC/WCDL	-	-	-	50.00	IVR BBB-/ Negative
FBP/FBE/BRD/F DBP/FUDBP	-	-	-	57.70	IVR A3
EPC/ PC/ PCFC	-	-	-	85.55	IVR A3
Letter of Credit	-	-	-	2.58	IVR A3
Bank Guarantee	-	-	-	2.50	IVR A3
<b>Total</b>				<b>248.71</b>	

**Annexure 2: List of companies considered for consolidated analysis: Nil**

**Annexure 3: Facility wise lender details**

<https://www.infomerics.com/admin/prfiles/Nagreeka-exports-lenders-18feb22.pdf>

**Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable**

**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](http://www.infomerics.com).