



Press Release

Nokha Agro tech Private Limited

March 29th, 2023

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	71.78	IVR BBB / Stable Outlook	Revised	Simple
Short Term Bank Facilities	128.00	IVR A3+	Revised	Simple
Total	199.78	(Rupees One Hundred Ninety Nine Crore and Seventy eight lakh Only)		

Details of Facilities are in Annexure 1

Detailed Rationale

The revision in the ratings assigned to the bank facilities of Nokha Agro tech Private Limited is on account of improvement in scale of operations, profitability and capital structure in FY22. The ratings assigned to the bank facilities of Nokha Agro tech Private Limited continue to draw comfort from its Group Support and widely experienced directors, Diversified product portfolio, Growing scale of operations with improvement in Profitability and Moderate capital structure and debt coverage indicators.

However, the rating strengths are partially offset by intense competition, tender based nature of operations and inherent risk of the industry.

Key Rating Sensitivities:

Upward Factors

- Substantial scaling up its operations while maintaining stable profitability margins.
- Improvement in capital structure and coverage indicators

Downward Factors

- Deterioration in business risk profile which impacts the debt protection metrics.
- Elongation in the operating cycle impacting the liquidity and higher average utilization in bank borrowings.

List of Key Rating Drivers with Detailed Description



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Key Rating Strengths

- **Group support and widely experienced directors**

NAPL is a part of Nokha Group, promoted by the Jhanwar family which is involved in diverse manufacturing and trading activities from the last 35 years. NAPL has a continuous funding support from the group. The company is being managed by the widely experienced directors namely, Mr. Rameshwar Lal Jhanwar and Mr. Inder Chand Jhanwar having extensive experience of more than 4 decades in the field of service providing and trading of food grains and pulses. They are further assisted by their family members and a team of well experienced professionals in technical/operations, financial, marketing, legal and other key areas.

- **Diversified Product Portfolio:**

The company has a multi commodity cleaning/sorting/grading/packaging unit of all grains, pulses, seeds, all kind of spices etc. and is also running an integrated cold storage facility for fruits, vegetables, spices, and other agro products produced under PMKSY scheme of the Ministry of Food Processing.

- **Growing Scale of Operations with improvement in profitability**

The total operating income of the company registered a CAGR of ~324% during FY20 to FY22 with a y-o-y growth of ~64% in FY22(A) and stood at Rs. 1033.19 Crores in FY22. The company witnessed an increasing trend in its operating income driven by higher execution of orders received from the Govt. departments. EBITDA increased from Rs. 23.93 Crore in FY21 to Rs. 61.54 Crore in FY22. EBITDA margin increased by 216 bps from 3.80% in FY21 to 5.96% in FY22. EBITDA margin increased due to higher margins earned on sale of Processed goods as well as improvement in operating efficiency. The PAT margin increased by 144 bps from 2.02% in FY21 to 3.46% in FY22 in line with increase in EBITDA margin. Gross cash accruals improved from Rs 15.70 crore in FY21 to Rs. 38.60 crore in FY22. The company has reported PAT of Rs.23.61 crore on total operating



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income of Rs.606.6 crore in H1FY23 as against PAT of Rs.10.37 crore on total operating income of Rs.298.0 crore in H1FY22.

- **Moderate capital structure and debt coverage indicators**

The capital structure remained moderate as on March 31, 2022. The long-term debt to equity and overall gearing stood at 0.23x and 1.01x respectively as on March 31, 2022 as against 0.49x and 2.28x respectively as on March 31, 2021. Overall gearing improved mainly due to accretion of profits to reserves along with equity share capital infusion of Rs. 14.95 crore by the promoters in FY22. TOL/TNW improved from 3.38x as on March 31, 2021, to 1.82x as on March 31, 2022. Interest coverage ratio moderated from 5.55X in FY21 to 4.04X in FY22. Total debt to GCA improved from 3.97x in FY21 to 2.02x in FY2022.

Key Rating Weaknesses

- **Intense competition:**

The integrated cold storage industry and the agro trading and processing industry is highly fragmented and is marked by the presence of a large number of large players and small players in the market. This intensifies competition and limits the pricing flexibility of the industry participants resulting in low profitability.

- **Tender based nature of operations**

Majority of the revenue has been generated through supplies to State Governments after getting successful in the tenders. However, non-renewal of these orders could lead to fluctuation in revenue and profitability of the company.

- **Inherent Risk of the industry:**

The company is engaged in providing processing and storage of agro based products, thus it is exposed to risk associated with the fluctuation in production levels, uncertain weather conditions and limited shelf life of the products.



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Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

[Rating Methodology for Trading Companies](#)

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

[Criteria for assigning Rating outlook](#)

Liquidity – Adequate

The liquidity position of the company is expected to remain adequate as it expects sufficient cushion in its cash accruals vis-à-vis debt repayments. The fund-based limits of Nokha Agro tech Private Limited remained moderately utilised at 61.19% during the past 12 months ended Feb 2023. Nokha Agro tech Private Limited's operating cycle days increased from 23 days in FY21 to 31 days in FY22 due to increase in average collection period. Unencumbered cash and bank balance was Rs. 0.65 Crore as on March 31, 2022. Current ratio and quick ratio stood moderate at 1.47x and 1.19x respectively, as on March 31, 2022.

About the Firm

Nokha Agro Tech Pvt Ltd was incorporated in 2011 and is a part of Jhanwar Group that is reputed, and family established service provider manufacturer and trading group of Nokha and Bikaner having involved in diverse manufacturing and trading activities and have been in operations since last 35 years. The venture includes integrated cold chain units, manufacturing of Gwar refined oil, churi and korma, running cold storage unit and warehousing, trading of grains, pulses and hardware and member of NCDEX running online trading of commodities etc. NAPL is an approved supplier of government towards supply of agro commodities through NAFED/NECOF, Kendriya Bhandar, NCCF & Civil supply.

Financials (Standalone):

(Rs. Crore)



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For the year ended*/ As on	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	630.10	1033.19
EBITDA	23.93	61.54
PAT	12.71	35.91
Total Debt	62.26	77.91
Tangible Net Worth	27.28	77.41
EBITDA Margin (%)	3.80	5.96
PAT Margin (%)	2.02	3.46
Overall Gearing Ratio (x)	2.28	1.01

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Brickwork Ratings vide its press release dated May 20, 2022, has classified the ratings of the company under Issuer Not Cooperating category on account of non-submission of relevant information.

Any other information: Not Applicable

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22 (Jan 25 th , 2022)	Date(s) & Rating(s) assigned in 2020-21 (Sep 14, 2020)	Date(s) & Rating(s) assigned in 2019-20
1.	Term Loan	Long Term	9.99	IVR BBB / Stable	IVR BBB-/ Stable	-	-
2.	Cash Credit	Long Term	61.79*	IVR BBB / Stable	IVR BBB-/ Stable	-	-
3.	Loan Against warehouse receipts	Short Term	125.00	IVR A3+	-	-	-
4.	Bank guarantee	Short Term	3.00	IVR A3+	IVR A3	-	-

*cash credit includes proposed limit of Rs. 17.79 Crore.

Name and Contact Details of the Rating Analyst:



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About Infomerics:

Infomerics Valuation and Rating Private Limited (Infomerics) was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

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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
Term Loan	-	-	2026	9.99	IVR BBB / Stable



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Cash Credit	-	-	-	61.79	IVR BBB / Stable
Loan Against warehouse receipts	-	-	-	125.00	IVR A3+
Bank Guarantee	-	-	-	3.00	IVR A3+

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-NokhaAgro-mar23.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.