



Press Release

Nokha Agro Tech Private Limited (NAPL)

January 25, 2022

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities- Cash Credit	34.50	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	Assigned	Simple
Long Term Bank Facilities- Term Loan	21.26	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	Assigned	Simple
Long Term Bank Facilities- Proposed CC	37.24	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	Assigned	Simple
Short Term Bank Facilities- Bank Guarantee	7.00	IVR A3 (IVR A Three)	Assigned	Simple
Total	100.00 (One Hundred Crore)			

Details of facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Nokha Agro Tech Private Limited (NAPL) derives strength from the Group Support and Experienced Directors, Diversified Product Portfolio, and comfortable scale of operations. The rating is however constrained by Susceptibility to Inherent Risk of the Industry and Intense competition.

Key Rating Sensitivities:

Upward Factor:

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

Downward Factor:

- Deterioration in business risk profile which impacts the debt protection metrics.



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- Elongation in the operating cycle impacting the liquidity and higher average utilization in bank borrowings.

Detailed Description of Key Rating Drivers

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.

Scale Of Operations and Moderate Financial Risk Parameters:

Company's scale of operations has grown substantially booking total operating income of Rs. 630.10 cr in FY21 as against Rs. 13.56 cr in FY20. Company started its commercial productions from Aug'2019. TNW has increased from Rs. 27.28 cr in FY20 to Rs. 14.58 cr in FY21. Long Term Debt Equity is moderate and stood at 0.49 as on March' 21 as against 0.66x in FY20. Interest & finance charges increased in FY21 due to new loans taken corresponding to expanding scale of operations.

Key Rating Weaknesses

Low Profitability Margins :



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A part of the revenue being derived from a low value additive nature of the business; profitability margins of the company are low. The company booked EBITDA margin and PAT Margin at 3.80% and 2.02% respectively in FY21.

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.

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.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Trading Companies

(<https://www.infomerics.com/rating-methodology-detail/trading-companies>)

Financial Ratios & Interpretation (Non-Financial Sector)

(<https://www.infomerics.com/rating-criteria-detail/financial-ratios--implication>)

Liquidity - Adequate

The liquidity position of the company is expected to remain adequate in the near term, as company is generating sufficient cash accruals against its long-term debt obligations. Further, the company's current ratio and liquidity ratio stood at 1.26x and 0.82x respectively as on March 31, 2021. The company had cash and cash equivalents balance of Rs. 0.41 cr as on March 31, 2021. ICR of the company stood at 5.22x in FY21. Overall liquidity of the company is adequate with average utilization of cash credit limit around 68% for the twelve months period ending Nov' 21.



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About the Company

Nokha Agro Tech Pvt Ltd has incorporated in 2011 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)

For the year ended* As on	INR in Crore	
	31-03-2020	31-03-2021
	Audited	Audited
Total Operating Income	13.56	630.10
EBITDA	4.03	23.93
PAT	0.65	12.71
Total Debt	14.60	62.26
Tangible Net Worth	14.58	27.28
EBITDA Margin (%)	29.69	3.80
PAT Margin (%)	4.80	2.02
Overall Gearing Ratio (x)	1.00	2.28

* Classification as per Infomerics' standards

Details of Non-Co-operation with any other CRA: INC from CRISIL as per PR dated November 28,2020 due to unavailability of Information.

Any other information: N.A.

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	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Fund Based Facility – Term Loans	Long Term	21.26	IVR BBB-/Stable	-	-	-
2.	Fund Based Facility – Cash Credit	Long Term	34.50	IVR BBB-/Stable	-	-	-
4.	Fund Based Facility – Proposed Cash Credit	Long Term	37.24	IVR BBB-/Stable			
3.	Fund Based Facility – Bank Guarantee	Short Term	7.00	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 (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund Based Facility – Term Loan	-	-	October 2025	9.27	IVR BBB-/Stable
Long Term Fund Based Facility – Term Loan	-	-	April 2024	2.80	IVR BBB-/Stable
Long Term Fund Based Facility – Term Loan	-	-	April 2027	6.27	IVR BBB-/Stable
Long Term Fund Based Facility – Term Loan	-	-	December 2027	0.68	IVR BBB-Stable
Long Term Fund Based Facility – Term Loan	-	-	September 2027	2.24	IVR BBB-/Stable
Long Term Fund Based Facility – Cash Credit	-	-	-	34.50	IVR BBB-/Stable
Long Term Fund Based Facility – Proposed Cash Credit	-	-	-	37.24	IVR BBB-/Stable
Short Term Fund Based Facility – BG	-	-	-	7.00	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/Nokha-Agro-Tech-lenders-jan22.pdf>



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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.