

## Nagreeka Exports Limited

March 03, 2022

### Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	-	-	Rating Reaffirmed at CARE BB+; Stable; ISSUER NOT COOPERATING* (Double B Plus; Outlook: Stable ISSUER NOT COOPERATING*) and <b>Withdrawn</b>
Short Term Bank Facilities	-	-	Rating Reaffirmed at CARE A4+; ISSUER NOT COOPERATING* (A Four Plus ISSUER NOT COOPERATING*) and <b>Withdrawn</b>
<b>Total Bank Facilities</b>	<b>0.00 (Rs. Only)</b>		

Details of instruments/facilities in Annexure-1

### Detailed Rationale & Key Rating Drivers

*CARE has reaffirmed and withdrawn the outstanding ratings of 'CARE BB+; Stable/ CARE A4+ ISSUER NOT COOPERATING' / Double B Plus; Outlook: Stable / A Four Plus, ISSUER NOT COOPERATING] assigned to the bank facilities of Nagreeka Exports Limited (NEL) with immediate effect on the basis of No Objection Certificate from the lenders. The reaffirmation of ratings assigned to the bank facilities of Nagreeka Exports Limited (NEL) continue to derive strength from support from promoters' extensive experience in textile industry, diversified client base and turnaround in operating and financial performance in 9MFY22 (refers to the period from April 01 to Dec 31 2021)*

*The ratings, however, are tempered by fluctuating operating and financial performance leading to losses in the past, leveraged capital structure owing to working capital intensive nature of operations, susceptibility of profitability to raw material price and foreign exchange rate fluctuations and fragmented industry.*

### Detailed description of the key rating drivers

#### Key Rating strength

##### **Experienced promoters**

Nagreeka Exports Ltd (NEL) was promoted by late Mr Ishwarlal Patwari. Presently, Mr Sunil Kumar Patwari and Mr Sushil Kumar Patwari oversee operations of the company. The promoters have experience of over four decades in the trading and exports of raw cotton, cotton yarn and knitted fabric business. Promoters continue to support NEL by way of infusion of funds both in the form of preferential shares and unsecured loan.

##### **Diversified client base and geographical presence**

NEL has a well-established marketing set-up and its customer base is also geographically diverse across various countries. Total exports contribute to 60% of sales and geographically diversified in 40 countries including Bangladesh, Nepal, Pakistan, Netherlands and Korea.

#### Key Rating Weaknesses

##### **Decline in scale of operations and profitability margins in FY21 albeit improvement in 9MFY22**

The company continues to operate in the low end of the textile value chain i.e. spinning and trading of raw cotton and cotton yarn where margins have been inherently low. TOI of the company de-grew by 18% in FY21 to Rs.385 crore. However, NEL registered increase in TOI of Rs.395.97 crore in 9MFY22 as against Rs.272.11 crore in 9MFY21.

##### **Leveraged capital structure coupled with satisfactory debt coverage indicators**

The debt-equity ratio of the company stood at 0.56x as on March 31, 2021 (PY: 0.21x). Overall gearing remains flat at 2.29x as on March 31, 2021 (PY: 2.21x). The interest coverage remained at 0.52x as on March 31, 2021 compared to 1.27x of previous year. However, with improvement in profitability, the interest coverage ratio improved to 2.11x in 9MFY22.

##### **Working capital intensive nature of operations**

The operations of NEL are working capital intensive in nature. The inventory period stood at 90 days in FY21 (PY:68 days) and collection period improved to 54 days in FY21 (PY: 65 days). Thus, the average operating cycle of the company stood at 126 days in FY21 (PY: 115 days).

##### **Susceptible to fluctuation in raw material prices**

The major raw materials is cotton. Cotton prices are volatile in nature driven by various factors like, demand and supply situation, area under cultivation, yield for the year, government regulation and pricing, etc. As a result, the company remains exposed to raw material movement and may have to absorb any adverse fluctuation in raw material prices. Nevertheless, the cotton players are benefitting from the demand and higher prices from export market.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

**Analytical approach:** Standalone

**Applicable Criteria**

[Policy on Withdrawal of ratings](#)

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[Financial ratios - Non Financial Sector](#)

[CARE's Policy on Default Recognition](#)

[CARE's methodology for Manufacturing Companies](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

[Rating Methodology – cotton textile manufacturing](#)

**About the company**

Incorporated in March 1989, Nagreeka Exports Ltd (NEL) was promoted by late Mr. Ishwarlal Patwari. NEL is a part of Nagreeka group, which is engaged into trading and exporting activities for over four decades. NEL is involved in manufacturing and trading of textile products such as cotton yarn, knitted fabric, etc. NEL is an export-oriented trading company with exports contributing major portion to its total income. NEL had an installed capacity of 55,440 spindles at its plant located at Kolhapur, Maharashtra. NEL also has a yarn dyeing and cotton bleaching plant at Kagal near Kolhapur. NEL's marketing network is spread across various countries.

Brief Financials (Rs. crore)	FY20 (A)	FY21 (A)	9MY22(UA)
Total operating income	472.50	385.12	395.97
PBILDT	17.93	7.37	22.90
PAT	0.68	-8.32	7.25
Overall gearing (times)	2.21	2.29	NA
Interest coverage (times)	1.27	0.52	2.11

A: Audited; NA: Not Available

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Disclosure of Interest of Independent/Non-Executive Directors of CARE:** Not Applicable

**Disclosure of Interest of Managing Director & CEO:** Not Applicable

**Rating History for last three years:** Please refer Annexure-2

**Covenants of rated instrument / facility:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of various instruments rated for this company:** Annexure 4

**Annexure-1: Details of Instruments / Facilities**

Name of the Instrument	ISI N	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	-	0.00	Withdrawn
Fund-based-Short Term		-	-	-	0.00	Withdrawn
Non-fund-based - ST-BG/LC		-	-	-	0.00	Withdrawn
Non-fund-based-Short Term		-	-	-	0.00	Withdrawn

**Annexure-2: Rating History of last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Term Loan	LT	-	-	-	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (12-Mar-21) 2)CARE BBB-; Negative (25-May-20)	1)CARE BBB-; Stable (26-Nov-19)	1)CARE BBB-; Stable (05-Oct-18)
2	Fund-based-Short Term	ST	-	-	-	1)CARE A4+; ISSUER NOT COOPERATING* (12-Mar-21) 2)CARE A3 (25-May-20)	1)CARE A3 (26-Nov-19)	1)CARE A3 (05-Oct-18)
3	Non-fund-based - ST-BG/LC	ST	-	-	-	1)CARE A4+; ISSUER NOT COOPERATING* (12-Mar-21) 2)CARE A3 (25-May-20)	1)CARE A3 (26-Nov-19)	1)CARE A3 (05-Oct-18)
4	Non-fund-based-Short Term	ST	-	-	-	1)CARE A4+; ISSUER NOT COOPERATING* (12-Mar-21) 2)CARE A3 (25-May-20)	1)CARE A3 (26-Nov-19)	1)CARE A3 (05-Oct-18)

\* Long Term / Short Term

**Annexure-3: Detailed explanation of covenants of the rated instrument / facilities:** Not Applicable**Annexure 4: Complexity level of various instruments rated for this company**

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based-Short Term	Simple
3	Non-fund-based - ST-BG/LC	Simple
4	Non-fund-based-Short Term	Simple

**Annexure 5: Bank Lender Details for this Company**To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for any clarifications.

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### About CARE Ratings:

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