

New Mount Trading & Investment Co Limited

October 11, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	29.43	CARE BB; Stable; ISSUER NOT COOPERATING* (Double B; Outlook: Stable ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE BB+; Stable; (Double B Plus; Outlook: Stable)
Long Term Bank Facilities	4.73	CARE BB+ (CE); Stable; ISSUER NOT COOPERATING* [Double B Plus (Credit Enhancement); Outlook: Stable ISSUER NOT COOPERATING*]	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE BBB- (CE); Stable; [Triple B Minus (Credit Enhancement); Outlook: Stable]
Total Bank Facilities	34.16 (Rs. Thirty-Four Crore and Sixteen Lakhs Only)		

Details of instruments/facilities in Annexure-1

@The ratings for the above bank facilities are based on credit enhancement in the form of unconditional and irrevocable corporate guarantee provided by SBW Udyog Ltd (SBWL, rated CARE BB+; Stable / CARE A4+; Issuer not cooperating as on PR date September 30, 2021).

Detailed Rationale and key rating drivers

CARE had, vide its press release dated April 06, 2021, placed the rating(s) of New Mount Trading & Investment Co Limited (NMTIL) under the 'issuer non-cooperating' category as NMTIL had failed to provide information for monitoring of the rating. NMTIL continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and email dated October 05, 2021, September 30, 2021 and September 28, 2021, etc. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The rating takes into continue to remain constrained by NMTIL's Below average financial risk profile, saleability risk w.r.t. residential project and ramp up risk in flour mill, project execution risk. The rating however, continues to derive comfort from experienced promoters and increased focus on flour mill as key revenue driver.

Detailed description of the key rating drivers

At the time of last rating on April 06, 2021 the following were the rating weaknesses and strengths:

Detailed description of the key rating drivers (NMTIL facility S.No. (i))

Key Rating Weaknesses

Below average financial risk profile

NMTIL has below average financial risk profile as exhibited by modest scale of operations, continued losses at net level and moderate debt coverage metrics. NMTIL's total operating income increased to Rs. 113.80 crore in FY20 from Rs 98.32 crore in FY19. PBILD and PAT margins continued to be low at 4.61% and -0.03% respectively during FY20 (4.90% and -2.03% respectively in FY19). NMTIL's overall gearing improved to 0.53x as on March 31, 2020 from 0.62x as on March 31, 2019. Debt coverage metrics also remained moderate as the interest coverage was 3.25x during FY20 (PY: 1.63x) and total debt to GCA of 4.95x in FY20(PY: 8.24x).

Saleability risk w.r.t. residential project and ramp up risk in flour mill

There has been slowdown in sales momentum and collection levels from the real estate segment. During FY19, the company had sold 242 flats out of total 323 flats with booking status of ~74% achieved till Jan-20. The real estate sector has been grappling with issues such as unsold inventory, delayed delivery and financial stress on the developers for quite some years;

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

*Issuer did not cooperate; Based on best available information

due to higher liquidity the buyers have deferred their purchases as they are expecting the borrowing rates to come down. However, with the introduction of Real Estate (regulation and Development) Act (RERA) and GST (Goods and Services Tax), the residential real estate sector is on the path of transformation with modified rules and mandatory approvals which will enhance the transparency and customers' trust in the sector but also add additional burden on the developers which might hamper the sentiments of the market.

Project execution risk

The company was planning to increase its scale of operations by expanding the production capacity of the flour mill. They were planning to expand the production capacity of the flour mill from 270 tonne/day to 420 tonne/day. The total cost of the project is Rs. 12.17 crore which would be funded by taking additional loans of Rs. 8.39 crores whereas the rest would be funded through internal accruals. Initial stage of the project exposes the company for risks related to project under implementation.

Key Rating Strengths

Experienced promoters

NMTIL, incorporated in 1975 in Kolkata, is part of the Shyam group and is headed by Mr. Shyama Charan Gupta. He has more than 4 decades of experience in manufacturing and trading of tobacco products. The Shyam Group is engaged into real estate, FMCG, dairy products and cold storage facilities through different group companies with common directors though there is no cross holding among the group companies.

Increased focus on flour mill as key revenue driver

NMTIL is engaged into manufacturing of agro food products viz. Maida (refined flour), Suji and bran. NMTIL has earned revenue of Rs. 93.19 crore in FY19 (94.79% of total revenue) which has increased from Rs. 52.79 crore in FY18 from the flour mill segment. Furthermore, in 9MFY20 company has reported sales 81.89 crore from the flour mill. Going forward, the ability of the company to ramp up the operations at this unit and achieve envisaged profitability shall remain key rating monitorable.

Liquidity: Adequate

The liquidity position of the company is adequate as exhibited by cash and bank balances of Rs. 2.16 crore as on March 2019. Further, the company has got the working capital limits of Rs.14.00 crore to support the working capital requirements which have average utilization of ~64% over the past eleven months ended January 2020.

Detailed description of the key rating drivers (Corporate Guarantor SBW Udyog Limited for facility S.No. (ii)

At the time of last rating on April 06, 2021 the following were the rating strengths and weaknesses:

Key Rating Strengths

Experienced promoters:

The promoter of SBW, Mr Shyama Charan Gupta has more than 45 years of experience in the manufacturing and trading of tobacco products. Mr. Gupta has promoted 'Shyam Group' and has interest in diversified business areas such as Biri manufacturing, hospitality, FMCG, logistics, dairy and real estate. Mr. Gupta along with his two sons Mr. Vidhup Agrahari (Director) and Mr. Vaibhav Agrahari (Director) looks after the overall operations of the company. They are well supported by the other directors having experience of more than 20 years in the industry.

Established distribution network and Diversified Revenue Streams:

The company has strong marketing network of more than 200 distributors mainly in the states of Uttar Pradesh and Madhya Pradesh. SBW has long term associated with its main distributors and wholesalers. The sales were made through distributors and traders. SBWL sells beedis under the brand name of 'Shyam', 'Samrat' and 'Gudiya' and matchbox and agarbattis under brand name of 'Shyam' and 'Baghban'. The Company is operating in diversified segments comprise of tobacco, Hospitality, marketing and trading of automotive parts. The diversification of revenues across markets provides relative insulation to SBW to manage down-turn in any particular segment/ market.

Moderate Financial Risk Profile:

The total operating income (TOI) of the company declined by 5% from Rs. 226.43 crore in FY19 (FY refers to the period from April 1 to March 31) to Rs. 214.87 crore in FY20 mainly due to the dip in revenue from tobacco division. However, despite the decline in TOI, PBILDT margin improved during the same period from 6.27% in FY19 to 6.74% in FY20 on account of change in the revenue share of the business segments. Further, PAT margin of the company also improved to 3.40% in FY20 from 3.11% in FY19. The capital structure of the company is comfortable and remained stable with an overall gearing of 0.42x as on March 31, 2020 (PY: 0.44x). However, the adjusted overall gearing computed (considering net of investments, loans & advances to group associates from net worth) and corporate guaranteed as debt stood at 0.91x as on March 31, 2020. The debt coverage remained moderate as total debt/GCA and interest coverage ratio stands at 3.85x and 3.68x respectively as on March 31, 2020 (PY: 4.14x and 4.40x respectively).

Key Rating Weaknesses

Exposure to group company:

As on March 31, 2020, SBWL has total investments of Rs. 20.04 crore in its group associates. Furthermore, SBWL had also extended corporate guarantee of Rs. 33.30 crores for the loans availed by its group company Shyam Enterprises (Partnership Firm). Any adverse impact on the financial risk profile of SBW on account of exposure to the group companies would continue to be crucial from credit perspective. Furthermore, any additional investment to the group or associates would also be key monitorable sensitivity.

Highly dependent on vagaries of nature:

The main raw materials used for the manufacture of beedis are Tendu leaves and tobacco. Since tobacco is a seasonal agro product, its production is highly dependent on rainfall during monsoon season and any disruption in supply may affect the company's ability to procure raw material from the suppliers.

Elongated operating cycle:

Operations of the company are working capital intensive marked by an average operating cycle of around 93 days in FY20 mainly on account of elongated inventory period. Since the raw material used for the production of tobacco is an agro based product the availability of the same depends upon nature. Further being a manufacturer, the firm is required to maintain adequate inventory of raw material for smooth running of its production processes for the entire year. The company purchases raw materials from domestic market and had inventory of around 91 days in FY20. However, the collection period and creditor days stood comfortably at 12 and 11 days respectively for FY20.

Highly fragmented and regulated industry:

The market for Beedi is highly competitive with more than 3,000 producers and 300 brands and none having a market share of more than 5%. While the economic importance of tobacco (in terms of employment generation and revenue contribution to exchequer) has been acknowledged in several Government studies and reports, the cigarette and beedi industry in India has been contending with the twin challenges of discriminatory and punitive taxation and increased regulation for several years in succession.

Analytical Approach: For facilities S. No. (i) standalone analytical approach has been followed. Credit enhancement in the form of unconditional and irrevocable corporate guarantee provided by SBW Udyog Ltd for the credit facility (ii) of NMTIL.

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[CARE's policy on default recognition](#)

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

[Rating Methodology-Factoring Linkages in ratings](#)

[Financial Ratios- Non Financial Ratios](#)

[Rating Methodology- Manufacturing Sector](#)

[Rating Methodology-Credit Enhanced Debt](#)

About the Company

New Mount Trading & Investments Co Limited (NMTIL) was incorporated in 1975 by Mr. Shiv Shankar Bajoria. In 1994, current promoters of the company, namely Mr Shyama Charan Gupta, along with his associates acquired controlling stake in the company through a share transfer agreement. The company derives its revenue from four streams viz. cold storage business, carrying and forwarding activities, real estate development and flour mill.

Further, In FY17, NMTIL has installed a flour mill with an installed capacity of 81000 MTPA. The project achieved its commercial operations on November 25, 2016. The cold storage facility named Shyam Sheetgrih was started in 2001 at Allahabad and has a capacity of 15,000 tonnes of cold storage of potatoes. Further, since 2005, the company has also been designated as the Carrying & Forwarding Agent for 'Servo' lubricants of Indian Oil Corporation (IOC) across 7 districts of UttarPardesh.

(Rs. In crore)

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	98.32	113.80
PBILD	4.82	5.25
PAT	-2.00	-0.03
Overall gearing (times)	0.62	0.53
Interest coverage (times)	1.63	3.25

A: Audited

About the Corporate guarantor

SBW Udyog Ltd (SBWL) was originally incorporated as Shyam Biri Works as a partnership firm in 1973 by Mr. Shyama Charan Gupta in Banda, Uttar Pradesh. It got converted into a company in 1985 as Shyam Biri Works Pvt. Ltd. under Companies Act 1956 and later assumed its current name in 1989. SBWL is primarily engaged in manufacturing and retailing of beedis and is also a sole selling agent for 'Servo' lubricants of Indian Oil Corporation across seven districts of Uttar Pradesh. SBWL also derives revenue from operation of a four-star hotel 'Hotel Kanha Shyam' having 102 rooms in Allahabad and sale of matchbox and agarbattis.

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	226.43	214.87
PBILDT	14.20	14.47
PAT	7.05	7.30
Overall gearing (times)	0.44	0.42
Interest coverage (times)	4.40	3.68

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

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

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Non-fund-based - LT-Bank Guarantees		-	-	-	4.73	CARE BB+ (CE); Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Cash Credit		-	-	-	14.00	CARE BB; Stable; ISSUER NOT COOPERATING*
Term Loan-Long Term		-	-	-	15.43	CARE BB; Stable; ISSUER NOT COOPERATING*

**Issuer did not cooperate; Based on best available information*

Annexure-2: Rating History of last three years

Sr. No	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type 2021 - 2022	Amount Outstanding (Rs. crore) 2021-2022	Rating 2021-2022	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	Term Loan-Long Term	LT	-	-	-	-	1)Withdrawn (03-Apr-19)	1)CARE BBB (SO); Stable (05-Apr-18)
2	Non-fund-based - LT-Bank Guarantees	LT	4.73	CARE BB+ (CE); Stable; ISSUER NOT COOPERATING *	1)CARE BBB-(CE); Stable; ISSUER NOT COOPERATING * (06-Apr-21)	1)CARE BBB-(CE); Stable (01-Apr-20)	1)CARE BBB (SO); Stable (03-Apr-19)	1)CARE BBB (SO); Stable (05-Apr-18)
3	Fund-based - LT-Cash Credit	LT	14.00	CARE BB; Stable; ISSUER NOT COOPERATING *	1)CARE BB+; Stable; ISSUER NOT COOPERATING * (06-Apr-21)	1)CARE BB+; Stable (01-Apr-20)	1)CARE BB+; Stable (03-Apr-19)	1)CARE BB+; Stable (05-Apr-18)
4	Term Loan-Long Term	LT	15.43	CARE BB; Stable; ISSUER NOT COOPERATING *	1)CARE BB+; Stable; ISSUER NOT COOPERATING * (06-Apr-21)	1)CARE BB+; Stable (01-Apr-20)	1)CARE BB+; Stable (03-Apr-19)	1)CARE BB+; Stable (05-Apr-18)

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Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not Applicable

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

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - LT-Bank Guarantees	Simple
3	Term Loan-Long Term	Simple

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

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