

## Mubarak Overseas Private Limited

October 25, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	65.33	CARE BB-; Stable; ISSUER NOT COOPERATING*	Downgraded from CARE BB; Stable and moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

\*Issuer did not cooperate; based on best available information.

### Rationale and key rating drivers

CARE Ratings Ltd. has been seeking information and No Default Statement (NDS) from Mubarak Overseas Private Limited, to monitor the ratings vide e-mail communications dated October 22, 2024, October 21, 2024, October 14, 2024, October 07, 2024, among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the ratings on the basis of best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. The ratings on bank facilities of Mubarak Overseas Private Limited will now be denoted as 'CARE BB-; Stable; ISSUER NOT COOPERATING\*.

**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 have been revised on account of the non-availability of requisite information due to non-cooperation by Mubarak Overseas Private Limited with CARE Ratings Ltd.'s efforts to undertake a review of the outstanding ratings. CARE Ratings Ltd. views information availability risk as a key factor in its assessment of credit risk. Further, the rating remains constrained on account of low profitability margins albeit moderate scale of operations, weak financial risk profile marked by weak debt coverage indicators and high gearing, The rating also consider susceptibility to vagaries of nature and high degree of government control. However, these rating weaknesses are partially offset by experienced promoters, diversified customer base and established network base and moderate operating cycle.

### Analytical approach: Combined

Mubarak Overseas Pvt Ltd (MOPL), Ramji Lal & Sons LLP (RLS) and Ramji Lal and Behari Lal (RLBL) are into similar line of business with common promoter family and management together referred as Gupta group. The credit risk assessment has been conducted based on a group approach by combining the financials of all the entities for FY23. However, since FY24, we have considered combined approach for Mubarak Overseas Pvt Ltd and Ramji Lal & Sons LLP, as Ramji Lal and Behari Lal was merged with Ramji Lal & Sons LLP after the demise of one of the partners in Ramji Lal and Behari Lal and subsequent closure of the firm.

**Outlook:** Stable

### Detailed description of key rating drivers:

At the time of last rating on March 22, 2024, the following were the rating strengths and weaknesses:

#### Key weaknesses

##### Low profitability margins albeit modest scale of operations

The total operating income of the group has increased by ~21% from Rs. 588 crores for FY22 to Rs. 710.55 in FY23. The revenue of group has increased on account of increase in the sales from existing customers and new customers. The company has export sale of Rs 25.87 cr in FY23. The total income of the group has increased; however, the margins of the company have deteriorated as reflected by PBILDT margin of 1.44% during FY23 (PY: 1.69%) and PAT margins of 0.13% for FY23 as against 0.30% for FY22.

##### Weak financial risk profile

The group has leverage capital structure marked by high overall gearing of 2.90x as on March 31, 2023, as against 2.97x as on March 31, 2022. The debt service coverage indicators also remained weak and deteriorated, as reflected by total debt to PBILDT

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

and total debt to GCA 9.00x and 81.21x respectively during FY23 as against 9.68x and 48.36x respectively during FY22. The interest coverage ratio stood at 1.15x for FY23 (PY: 1.31x).

#### **High degree of government control**

Paddy and Rice prices are regulated by the government to safeguard the interest of farmers. The farmers bring their produce to their nearby grain markets that are sold under auction. The government has scrapped minimum export price (MEP) on basmati rice which may further intensify the stiff competition. Further frequent changes in the government policies regarding imposition of export tax, restriction on export of non-basmati rice and minimum export price are inherent risks for all rice processors.

#### **Susceptibility to vagaries of nature**

Rice being mainly a Kharif crop is a seasonal crop and is cultivated from June-July to September-October, and the peak arrival of crop at major trading centers begins in October-November. The paddy output is dependent on the monsoon among other factors. Unpredictable weather conditions could affect the domestic output and result in volatility in the output and prices of paddy and rice. The firm is thus exposed to fluctuation in prices as paddy is a seasonal crop and thus susceptible to supplyside constraints like seasonal nature and exposure to the vagaries of monsoon. However, to mitigate commodity price risk, the firm procures rice and paddy only on confirmation of order. The firm supplies rice and paddy only to domestic customers and hence is not exposed to any foreign currency fluctuation risk.

#### **Key strengths**

##### **Experienced Promoters**

Ramjilal group's promoters include Mr Pradeep Gupta, Mr Ashish Gupta, Mr Nimesh Gupta and Mr Shivam Gupta. The promoters are well qualified and have been associated with the group since inception. Mr Pradeep Gupta looks after the finance function, while Mr Ashish Gupta has his expertise in sales and procurement. Over the years, promoters have developed relations with the customers and suppliers, which is expected to benefit the group in the long run.

##### **Diversified customer base and established network base**

The group is engaged in milling, processing and trading of rice. MOPL's scale of operations have increased by 21%. It has wide customer base both domestic and foreign markets. Approximately 6.2% of the total sales of MOPL in FY23 is export sales (PY: 12%) and remaining to the domestic customers (all the sales made by Ramji Lal & Sons and Ramji Lal and Behari Lal are in the domestic market). The group exports to U.K., Kuwait, Israel, Dubai, Russia and Switzerland while domestically it supplies to different states including Uttar Pradesh, Tamil Nadu, Delhi, Gujarat, Haryana, Punjab, Rajasthan, West Bengal, Karnataka, Kerala, and Andhra Pradesh, this signifies the geographically diversified customer base. The group sells to customers via brokers while paying commission on the trade. The middlemen in the chain assure timely and secure payments.

##### **Moderate operating cycle**

The operating cycle of the group has improved yet remained stagnant at 62 days in FY23. The inventory holding period has reduced to 47 days in FY23 as against 52 days in FY22 this decrease was partially due to decrease in the finished goods inventory. Also, collection period reduced to 28 days in FY23 from 34 days in FY22. The average creditor period of the group remained stable at 13 days in FY23 (PY: 11 days).

##### **Liquidity: Stretched**

The liquidity of the company is stretched marked by more than 90% utilization of working capital limits by the company. The gross cash accruals of the group remained low at Rs. 1.13 crore in FY23, however the company has repayment of its GECL loan starting from Dec FY24 of Rs. 1.1 cr. Also, operating cycle of company elongated though remained moderate at 62 days during FY23 (PY: 75 days).

#### **Applicable criteria**

[Consolidation](#)

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Policy in respect of non-cooperation by issuers](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Wholesale Trading](#)

#### **About the company and industry**

## Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Fast Moving Consumer Goods	Fast Moving Consumer Goods	Agricultural Food & other Products	Other Agricultural Products

The Ramjilal group was founded by Babulal ji Gupta and his sons in year 1998 as a rice trading business. In year 2009, the group installed a rice processing and packing plant with three sorting units and two packing units in Alipur. Later in year 2014, another plant in Gannaur was installed which had milling, processing and packing facility with two parallel lines. The facility in Alipur has installed capacity of producing 1,29,600 MT/annum while the facility at Gannaur has the capacity of 69,120 MT/annum. The group manufactures various kinds of basmati rice which include brown basmati, parboiled basmati, 1121 basmati and traditional basmati and sells it under their brand name Mubarak Rozana, Pride, Delight and Azooba. The Ramji Lal Group majorly deals in manufacturing and trading of rice however Ramji Lal Behari Lal also deals in trading of Atta and Maida.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)
Total operating income	588.00	710.55
PBILDT	9.94	10.20
PAT	1.76	0.94
Overall gearing (times)	2.97	2.90
Interest coverage (times)	1.31	1.15

A: Audited UA: Unaudited; Note: these are latest available financial results

**Status of non-cooperation with previous CRA:** CRISIL has retained the ratings assigned to the bank facilities of Mubarak Overseas Private Limited under Issuer not cooperating (INC) category vide its press release dated November 24, 2023, on account of its inability to carry out review in the absence of requisite information from the company and non – submission of No Default Statement (NDS) by the company for three consecutive months.

**Any other information:** Not Applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

**Complexity level of instruments rated:** Annexure-4

**Lender details:** Annexure-5

## Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	55.00	CARE BB-; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan		-	-	2026	10.33	CARE BB-; Stable; ISSUER NOT COOPERATING*

\*Issuer did not cooperate; based on best available information.

**Annexure-2: Rating history for last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Cash Credit	LT	55.00	CARE BB-; Stable; ISSUER NOT COOPERATING *	-	1)CARE BB; Stable (22-Mar-24) 2)CARE BB; Stable (12-Jul-23)	1)CARE BB; Stable (05-Dec-22)	1)CARE BB; Stable (30-Sep-21) 2)CARE BB; Stable; ISSUER NOT COOPERATING * (01-Apr-21)
2	Fund-based - LT-Term Loan	LT	10.33	CARE BB-; Stable; ISSUER NOT COOPERATING *	-	1)CARE BB; Stable (22-Mar-24) 2)CARE BB; Stable (12-Jul-23)	1)CARE BB; Stable (05-Dec-22)	-

\*Issuer did not cooperate; based on best available information.

LT: Long term

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities:** Not Applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple

**Annexure-5: Lender details**

To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of rated instruments:** CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

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### About us:

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### Disclaimer:

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