CLRK Industries Private Limited

February 06, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	76.00	CARE BB; Stable; ISSUER NOT COOPERATING*	Downgraded from CARE BB+; Stable and moved to ISSUER NOT COOPERATING category
Long Term / Short Term Bank Facilities	0.50	CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING*	Downgraded from CARE BB+; Stable / CARE A4+ and moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	3.50	CARE A4; ISSUER NOT COOPERATING*	Downgraded from CARE A4+ 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 from CLRK Industries Private Limited (CIPL) to monitor the rating(s) vide e-mail communications dated between January 13, 2025 and January 30, 2025 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 rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. The rating on CLRK Industries Private Private Limited's bank facilities will now be denoted as CARE BB/CARE A4; 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 ratings have been revised on account of non-availability of requisite information due to non-cooperation by CLRK Industries Private Limited with CARE's effort to undertake a review of the outstanding ratings as CARE views information availability risk as key factor in its assessment of credit risk profile.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings believes that the entity will continue to benefit from the extensive experience of the promoters and management in the industry.

Detailed description of key rating drivers:

At the time of last rating on February 29, 2024 the following were the rating strengths and weaknesses:

Key weaknesses

Moderate scale of operations coupled with thin profitability margins

The total operating income of CIPL has been on an increasing trend for last four years ended FY23. TOI grew at a CAGR of 43.55% with y-o-y growth of about 28% in FY23 to Rs.547.92 crore when compared to Rs. 429.10 crore in FY22. In FY20, the revenue was on a lower side on account of impact of COVID-19 particularly in last quarter of financial year. Exports continue to form a major part of CIPL's sales in terms of Rs. Crore and tonnage, both. During FY23, total sales in volume increased to 195303 Metric Tonnes (PY: 173877 Metric Tonnes). The realizations per tonne in domestic market also have been witnessing increase trend over last three years.

Despite growth in TOI, the profitability margin of CIPL stood thin as it is engaged in the trading business which is a highly fragmented and competitive industry. The PBILDT levels improved over the period of 3 years i.e., from Rs.3.04 crore in FY20 to Rs.13.12 crore in FY23. Nevertheless, the company is able to pass on the increase in the input costs to end consumers thereby minimizing the impact to the operating margins. Furthermore, the company diversified its product portfolio for improvement in profits and the same is visible i.e., PAT increased from Rs. -0.30 crore in FY20 to Rs.6.43 crore in FY23, however the PAT margin remained thin at 1.17% in FY23.

For 9MFY24, CIPL reported revenue of about Rs. 310.37crore which forms 57% of full year FY23 revenues. Company expects to achieve similar levels of TOI in FY24, given the fluctuations in Rice Industry.

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Low entry barrier along with stiff competition in trading business
Rice trading industry is highly competitive and fragmented in nature owing to low entry barriers due to minimal capital required and easy access to clients and suppliers resulting in presence of large number of unorganized players in the market. Also, the presence of big-sized players with established marketing & distribution network results into intense competition in the industry. The industry is cyclical with prices of the commodities driven by demand and supply conditions in the market with strong linkage to the global market. Due to high competition profitability margins tend to remain thin in the industry.

Client concentration risk
The majority of sales of company comes from export trade to various geographies across globe. CIPL supplies the material to grain houses such as SAT Swiss Agri Trading, Ascend Commodities in Switzerland, Olam International and Swiss Singapore Overseas Enterprises Pvt Ltd (an Aditya Birla Group enterprise) which in turn sell the rice in African and other markets thru their distribution channels and warehouses. The company also sells good 25-30% of volume of rice to domestic buyers for favourable rates. The company has established relationship with clients which resulted in repeat orders from them. The revenue profile of the company, and SAT Swiss Agri Trading S.A, ASCEND COMMODITIES SA, SOEXIMEX, remain the regular buyers. The company has kept the sellers and customers diverse across geographies in order to mitigate the geographical concentration risk. Further, CIPL added new clientele to its list in FY23 and 9MFY24 to mitigate the risk of client concentration risk to a certain extent.

Exposed to vagaries of nature and raw material availability susceptible to change in government policies
The major raw material of the company is paddy, rice wheat and edible oils among other prices of which vary based on the monsoons and production in the crop seasons. As cost of the raw material accounts for 80% of the overall cost, variation in rates may impact operating profitability. Inability to pass on hike in raw material prices to customers may lead to volatility in the operating margin. The central Government of India (GOI), every year decides a minimum support price of paddy which limits the bargaining power of rice millers over the farmers thereby affecting revenues.

Presence in a highly fragmented and competitive agro-commodity industry
CIPL operates in a competitive and highly fragmented agro-commodity industry which has a presence of large number of small and medium scale players. Further, the overall value addition in the trading industry is very low (grading, sorting, and packing activities) which translates into thin profitability. For its exports, CIPL also faces intense competition from large established players in the industry (which contributes majority of its turnover), who have global sourcing and customer base.

Commodity price risk, forex fluctuations, and counterparty risk inherent to export
In view of the volatility in the commodity prices owing to the variability in agricultural output as well as the global demand-supply scenario, CIPL books order backed sales. It procures commodity after booking confirmed order from buyer against 20%-30% cash advance. CIPL being a net exporter of rice, procures rice from the domestic market in INR and exports the same to various countries; the revenues are thus largely dollar (USD) and Euros denominated. Its forex risk is mitigated as majority of transactions are hedged at origination. Nevertheless, the counterparty that CIPL sells its products to are well known and established entities in the destination countries.

Key strengths

Experienced management with long track record in the trading of agri-commodities
CIPL was incorporated in June 16,2010 by Mr. Bipin Kumar Agarwal, a B.com graduate having more than two decades of experience in rice field w.r.t to procurements, processing and supply destinations. He overlooks the day-to-day operations and is supported by his son Mr. Aashutosh Agrawal (MBA in operations) the CEO and Ms. Aakriti Agrawal (MBA in Finance) and current CFO for the company and other qualified team of professionals. The company has established track record of operations in rice processing and trading business for more than a decade. By virtue of being in the trading nature of operations for considerable period of about two decades, the promoters have developed strong business relation with suppliers and buyers.

CIPL has advantage of tightly managed carriage and forwarding arrangements and elimination of intermediaries as the operations are backed by rice processing, milling and Sortex plant where in-house sorting and other processes are performed which also safeguard from the risk of paddy fluctuations, crop availability due to monsoons, changing government regulations w.r.t farmers, seasonal business and other micromanagement that comes with paddy quality and yielding.

Satisfactory capital structure and debt coverage indicators
The total debt of CIPL majorly comprises of working capital borrowings and small portion of term loans availed towards capacity expansion in past. The capital structure represented by overall gearing improved significantly and stood at 1.76x as on March 31, 2023. With similar of total debt outstanding due to repayment of term debt and efficient management of working capital borrowings, overall gearing improved considering the increase in net worth as of March 31, 2023.

The debt coverage indicators of the company represented by PBILDT interest coverage ratio improved to 4.08x in FY23 on account of gradual and continuous increase in the PBILDT levels of the company during FY23. The company’s total debt to GCA has improved from 7.16x as of March 31,2022 to 5.15x as of March 31,2023 on account of improvement in GCA in FY23. Even after considering the full utilization of working capital limits for the projected period, overall gearing is projected to improve in line with improvement in financial profile of the company.

Satisfactory working capital cycle
Working capital management is efficient as reflected in gross current assets estimated at 52 days as on March 31, 2023 (60 days a year earlier) despite stocking-up of rice during the peak season of procurement, which begins in the third quarter of every fiscal. Usually, CIPL has inventory of 1-2 months which is lower compared to other large players in the industry because company offers quick payment to suppliers and thus procure sizeable quantities during the start of the season. Accordingly, CIPL's creditor levels have always been low at 12 days and 11 days as on March 31, 2022, and 2023 respectively. For its exports order, CIPL has payment terms of 15% to 20% cash advance at the time of order confirmation, and the balance before the physical delivery of goods.

Favourable location of operations
The company has locational advantage with the manufacturing facilities located at Peddapuram and Kakinada, biggest port and one of the prominent paddy growing belts in Andhra Pradesh. CIPL deal with rice millers across Chhattisgarh, Andhra Pradesh, Telangana, Gujarat, Bihar etc. The paddy which is transported to the plant by company's owned trucks for processing is subjected to quality testing and then stored in temperature control silos and warehouses for further processing. Due to long term presence in the industry, CIPL has established contacts with commission agents, distributors, and farmers. Thus, the company has advantage of location as they procure majority of the raw material requirement from paddy growing areas of Andhra Pradesh. Andhra Pradesh, situated in South India, forms a part of South coast of India and connected with Orissa and Chhattisgarh states.

Established relationship with customers and suppliers and presence across geographies
CIPL exports rice various countries viz., Switzerland contributing the highest for past 3 years, followed by India, UAE, Singapore, and other countries. The promoter, Mr. Bipin Agarwal has been in this business for more than 3 decades and had developed longstanding and established relations with its suppliers in the domestic market as well as customers across geographies. The same can be corroborated from the fact that company has been able to register growth in revenue on Y-o-Y basis in FY23 compared to FY22 despite logistic issues, ban on export of raw broken rice which company was able to pass on to the customers.

Liquidity: Adequate
CIPL has adequate liquidity position with healthy cash accruals of Rs. 8.53 crore as on March 31, 2023, as against term debt repayment of Rs. 3.60 crore. As of December 31,2023, company has repaid principal repayment obligation of Rs. 2.67 crore. The current ratio and quick ratio of the company stood at 1.32x and 1.03x as on March 31, 2023. The interest coverage indicator of the company also stood satisfactory at 4.08 times during FY23. Considering the cash accrual which the company generated in FY23, expected generation of cash accruals during FY24 and low repayment obligations, the cash accruals are adequate.

Assumptions/Covenants: Not Applicable

Environment, social, and governance (ESG) risks: Not Applicable

Applicable criteria
Policy in respect of non-cooperation by issuers
Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Financial Ratios – Non financial Sector
Short Term Instruments
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

CIPL was incorporated in 2010 at Kakinada (Andhra Pradesh) by Mr. Bipin Kumar Agarwal who then had an experience of more than 15 years in the industry as a trader. The company undertakes export trading, milling and processing of paddy into rice, rice bran, broken rice and husk. The day-to-day operations are managed by Mr. Bipin Kumar Agarwal who is ably supported by his team.The company started with its 1st plant with a capacity of 300 Metric Tonnes per day (MTPD) and storage capacity of 20,000 MT at Kakinada Peddapuram in 2010 further with increase in scale of business, company started new plant with a capacity of 350 Metric Tonnes per day (MTPD) and storage capacity 15,000 MT at Uma Shree (Kakinada Port) in 2017. Both the plants are fully equipped and work through all the stages of rice production from Parboiling, Milling, Grading, Polishing, Sorting with the latest German machinery like the latest Z series Sortex Machine, Parboiling Plant, Ion Exchange RO System and Boilers.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	9MFY24 (UA)
Total operating income	429.10	547.92	310.37
PBILDT	9.85	13.12	9.57
PAT	3.88	6.43	3.57
Overall gearing (times)	2.38	1.76	NA
Interest coverage (times)	4.02	4.08	NA

A: Audited UA: Unaudited; NA: Not available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not Applicable

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	-	-	-	-	10.00	CARE BB; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-EPC/PSC	-	-	-	-	22.00	CARE BB; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Proposed fund based limits	-	-	-	-	44.00	CARE BB; Stable; ISSUER NOT COOPERATING*
Non-fund-based - LT/ ST-Bank Guarantee	-	-	-	-	0.50	CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING*
Non-fund-based - ST-Credit Exposure Limit	-	-	-	-	3.50	CARE A4; 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	10.00	CARE BB; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable (29-Feb-24)	-	-
2	Fund-based - LT-EPC/PSC	LT	22.00	CARE BB; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable (29-Feb-24)	-	-
3	Fund-based - LT-Proposed fund based limits	LT	44.00	CARE BB; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable (29-Feb-24)	-	-
4	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	0.50	CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable / CARE A4+ (29-Feb-24)	-	-
5	Non-fund-based - ST-Credit Exposure Limit	ST	3.50	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4+ (29-Feb-24)	-	-

*Issuer did not cooperate; based on best available information.
LT: Long term; ST: Short term; LT/ST: Long term/Short 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-EPC/PSC	Simple
3	Fund-based - LT-Proposed fund based limits	Simple
4	Non-fund-based - LT/ ST-Bank Guarantee	Simple
5	Non-fund-based - ST-Credit Exposure Limit	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:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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