

Nagesh Enterprises (Revised)

July 27, 2022

Ratings

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	26.40	CARE B; Stable; ISSUER NOT COOPERATING* (Single B; Outlook: Stable ISSUER NOT COOPERATING*)	Revised from CARE B+; Stable (Single B Plus; Outlook: Stable) and moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	1.36	CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Total Bank Facilities	27.76 (₹ Twenty-Seven Crore and Seventy-Six Lakhs Only)		

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

CARE has been seeking "No Default Statement" from Nagesh Enterprises to monitor the rating(s) vide e-mail communications dated May 01, 2022 to July 14, 2022 and numerous phone calls. However, despite our repeated requests, the company has not provided the "No Default Statement" for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of best available information which however, in CARE's opinion is not sufficient to arrive at fair rating. The rating on Nagesh Enterprises will now be denoted as CARE B; Stable; Issuer Not Cooperating and 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.

The revision in rating of bank facilities of Nagesh Enterprises is on account of non-submission of No Default Statements (NDS) for 3 consecutive months i.e. for the months of April 2022, May 2022 and June 2022. Further, CARE is unable to interact with lenders and auditor of the entity to assess its ability to service the debt obligations and hence the revision in rating.

Detailed description of the key rating drivers

At the time of last rating on September 03, 2021 the following were the rating strengths and weaknesses.

Key Rating Weaknesses

Leveraged capital structure and weak debt coverage indicators

The financial risk profile of the company moderated during FY21 as reflected from decline in the scale of operations during FY21 due to loss of sales during April and May on account of lockdown constraints which impacted the transportation of raw materials and availability of labor for production. The overall gearing remains leveraged at 2.29x as on March 31, 2021. Total debt increased due to availing GECL and FITL facilities and net worth decreased due to withdrawal of capital. TDGCA of the firm stood high at 23.49 times due to lower GCA and increase in debt in FY21 and the profitability margins continues to be thin. The total debt/cash flow from operations stood positive at 8.59 in FY21.

Working capital intensive nature of operations

The working capital cycle days of the firm deteriorated and stood moderate at 138 days during FY21(Prov.) as against 109 days during FY20(A) due to higher level of inventory days at 118 days in FY21(Prov.) as compared to 95 days in FY20(A) which is due to purchase of large quantities during harvest funded through the GECL loan. The firm generally pays for the raw materials as and when purchased and extends credit period of 15-20 days its customers but also varies based on costumers and their relationship with such costumers

Seasonal nature of availability of paddy and margins susceptible to raw material price fluctuations and Regulations by Government

Paddy in India is harvested mainly at the end of two major agricultural seasons Kharif (June to September) and Rabi (November to April). The major procurement of Paddy happens during the months of October to January and April to July. The firm's raw material being paddy, for proper harvest and availability of paddy, the weather conditions should be adequate. Adverse weather conditions directly affect the supply and availability of the paddy and raw material price fluctuations. 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. The sale of rice in the open market is also regulated by the government through levy quota and

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

*Issuer did not Cooperate; Based on best available information

fixed prices. Due to the above said regulations along with the intense competition, the bargaining power of the rice millers against the suppliers of paddy and the customers is limited.

Constitution of entity as partnership firm

NE, being a partnership firm, is exposed to inherent risk of the partner's capital being withdrawn at time of personal contingency and firm being dissolved upon the death/retirement/insolvency of the partners. Moreover, partnership firm business has restricted avenues to raise capital which could prove a hindrance to its growth.

Highly fragmented and competitive nature of industry

The Indian rice mill industry is highly unorganized and fragmented in nature. Based on product type, the rice and paddy market can be segmented into variety of products and features a fragmented and competitive landscape owing to the presence of many small-scale companies. The market also features some large companies holding prominent positions, making the market intensely competitive.

Key Rating Strengths

Experienced promoters in the rice industry for more than 3 decades

The firm was promoted by Mr. S Anil who is the managing partner of the firm. He is a B.com graduate with around three decades of experience in rice industry. The other two partners Mr. Suprith and Mr. Sumanth are also actively involved in the day to day operations of the firm.

Location advantage with presence in cluster and easy availability of paddy

The rice milling unit of NE is located at Kolar district which is the top district for producing rice in Karnataka. The manufacturing unit is located near the rice producing region, which ensures easy raw material access and smooth supply of raw materials at competitive prices and lower logistic expenditure and the firm procures raw material from Andhra Pradesh, Tamil Nadu and north Karnataka region and maintain a good relationship with suppliers which helps them to get discounts in the prices of paddy.

Analytical approach: Standalone

Applicable criteria

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

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

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

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Manufacturing Companies](#)

About the company

Nagesh Enterprises (NE) was established in the year 1992 as a proprietorship firm by Mr. S. Anil. The entity was reconstituted as a partnership firm with effect from April 1, 2015 with Mr. Supreeth and Mr. Sumanth (sons of Mr. S Anil) being the other two partners. Mr. Anil has an experience of over 30 years in the rice industry. Initially, the firm was engaged into only cleaning and processing of rice, rice milling was commenced from February 2016.

Brief Financials (₹ crore)	March 31, 2021 (Prov.)	March 31, 2022	June 30, 2022*
Total operating income	86.23	NA	NA
PBILDT	3.56	NA	NA
PAT	0.53	NA	NA
Overall gearing (times)	2.29	NA	NA
Interest coverage (times)	1.63	NA	NA

Prov: Provisional; NA: Not available || *No financials available post FY21(Prov.)

Status of non-cooperation with previous CRA: Nil

Any other information: Not applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: 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	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	23.00	CARE B; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan	-	-	-	July 2022	1.90	CARE B; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Proposed fund based limits	-	-	-	-	1.50	CARE B; Stable; ISSUER NOT COOPERATING*
Fund-based - ST-Bank Overdraft	-	-	-	-	1.36	CARE A4; ISSUER NOT COOPERATING*

*Issuer did not Cooperate; Based on best available information

Annexure-2: Rating history for the 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 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Cash Credit	LT	23.00	CARE B; Stable; ISSUER NOT COOPERATING*	-	1)CARE B+; Stable (03-Sep-21)	1)CARE B+; Stable; ISSUER NOT COOPERATING* (21-Aug-20)	1)CARE BB-; Stable; ISSUER NOT COOPERATING* (19-Jun-19)
2	Fund-based - LT-Term Loan	LT	-	-	-	1)Withdrawn (03-Sep-21)	1)CARE B+; Stable; ISSUER NOT COOPERATING* (21-Aug-20)	1)CARE BB-; Stable; ISSUER NOT COOPERATING* (19-Jun-19)
3	Fund-based - LT-Term Loan	LT	1.90	CARE B; Stable; ISSUER NOT COOPERATING*	-	1)CARE B+; Stable (03-Sep-21)	-	-
4	Fund-based - LT-Proposed fund based limits	LT	1.50	CARE B; Stable; ISSUER NOT COOPERATING*	-	1)CARE B+; Stable (03-Sep-21)	-	-
5	Fund-based - ST-Bank Overdraft	ST	1.36	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4 (03-Sep-21)	-	-

*Issuer did not Cooperate; Based on best available information

LT: Long term; ST: Short term

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities

Name of the Instrument	Detailed Explanation
A. Financial covenants	Nil
B. Non-financial covenants	Nil

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

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Proposed fund based limits	Simple
3	Fund-based - LT-Term Loan	Simple
4	Fund-based - ST-Bank Overdraft	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 instruments: CARE Ratings 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 for any clarifications.

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About us:

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