

**Adarsha International**  
**November 01, 2019**

**Ratings**

Facilities/Instruments	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long term Bank Facilities	5.20	CARE B; Stable; ISSUER NOT COOPERATING* (Single B; Outlook: Stable; ISSUER NOT COOPERATING*)	ISSUER NOT COOPERATING*; Based on best available information
<b>Total</b>	<b>5.20</b> <b>(Rupees Five</b> <b>Creore and Twenty</b> <b>lakh only)</b>		

\*Details of instruments/facilities in Annexure-1

**Detailed Rationale and key rating drivers**

CARE has been seeking information from **Adarsha International (AIN)** to monitor the ratings vide e-mail communications/letters dated June 19, 2019, July 11, 2019, July 19, 2019 and numerous phone calls. However, despite our repeated requests, the entity has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the publicly available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

The rating on AIN's bank facilities will now be denoted as **CARE B; 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).**

**Detailed description of the key rating drivers**

At the time of last rating in July 31, 2018 the following were the rating strengths and weaknesses:

**Key Rating Weaknesses**

**Small scale of operations with low profit margins:** The scale of operations of the firm was small marked by its total operating income (TOI) of Rs.3.51 crore with a PAT of Rs.0.05 crore in FY17. Furthermore the total operating income has been drastically declining on y-o-y basis during last three financial years (FY15: Rs.115.96 crore, FY16: Rs.39.28 crore and FY17: Rs.3.51 crore). The firm exports majorly non-basmati rice to Bangladesh. Bangladesh had imposed 28% import duty on exports of rice after its domestic production recovered. So the turnover of AIN has drastically declined in FY16 and FY17 as compare to FY15. However the firm has reported turnover of Rs.54.71 crore in FY18 as Bangladesh reduced import duty from 28% to 10% in June 2017 and again it reduced the import duty from 10% to 2% in September-October 2017 to meet the shortfall of the crops as flash floods damaged production of rice in Bangladesh. Currently Bangladesh has again increased the import duty to 28% on rice imports to support its farmers after local production revived. Moreover, the profitability margins of the firm remained low marked by PBILDT margin of 2.28% (FY16: 0.96%) and PAT margin of 1.35% (FY16: 0.28%) in FY17. The profit margin of the firm was low mainly on account of its trading nature of business.

**Proprietorship nature of business:** AIN, being a proprietorship firm, is exposed to inherent risk of the capital being withdrawn at time of personal contingency and entity being dissolved upon the death/insolvency of the proprietor. Further, proprietorship firm has restricted access to external borrowing as credit worthiness of the partners would be the key factors affecting credit decision for the lenders.

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications

\*Issuer not cooperating, based on best available information

**Geographical concentration and Geo-Political Risk:** AIN generates 100% revenue from export and the firm exports only to Bangladesh and hence, a slump in the demand from this region might significantly impact the revenue of the firm.

**Presence in highly competitive & fragmented industry:** AIN operates in highly fragmented and competitive market marked by the presence of numerous organized as well as unorganized players in India. Low entry barriers and low investment requirements makes the industry highly lucrative and thus competitive. Smaller companies in general are more vulnerable to intense competition due to their limited pricing flexibility, which constrains their profitability as compared to larger companies who have better efficiencies and pricing power considering their scale of operations.

#### Key Rating Strengths

**Experienced proprietor with long track record of operations:** AIN was established as a proprietorship firm by Mr. Partha Saha since April 2000 and engaged in trading of rice, dal and oil cake. Accordingly, it has 18 years of long track record of operations and has established good relationship with its clients. Currently the firm is managed by Mr. Partha Saha (proprietor, aged about 44 years) is having over 18 years of long experience in the export business. He looks after the overall management of the firm, with adequate support from a team of experienced personnel.

**Strong capital structure with satisfactory debt coverage indicators:** The capital structure of the firm was strong with nil debt equity ratio and overall gearing ratio due to nil debt as on March 31, 2017. Moreover the debt coverage indicators of the firm were also satisfactory with interest coverage ratio of 3.42x and nil total debt to GCA in FY17.

**Analytical approach:** Standalone

#### Applicable Criteria

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

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

[Financial ratios – Non-Financial Sector](#)

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

[Rating Methodology - Wholesale Trading](#)

#### About the company

Adarsha International (AIN) was established in April 2000 as a proprietorship firm by Mr. Partha Saha. The firm is engaged in exporting of non-basmati rice, dal and oil cake to Bangladesh. The registered office of the firm is situated at North 24 Parganas, West Bengal.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	39.28	3.51
PBILDIT	0.38	0.08
PAT	0.11	0.05
Overall gearing (times)	0.00	0.00
Interest coverage (times)	1.47	3.42

A: Audited

**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	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Bills discounting/ Bills purchasing	-	-	-	4.50	CARE B; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Fund-based - LT-PC/Bill Discounting	-	-	-	0.70	CARE B; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; 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	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Bills discounting/ Bills purchasing	LT	4.50	CARE B; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE B; Stable (31-Jul-18)	-	-
2.	Fund-based - LT-PC/Bill Discounting	LT	0.70	CARE B; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE B; Stable (31-Jul-18)	-	-

**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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto: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.

**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.careratings.com)**