

Dropadi Industries

July 12, 2017

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	5.40	CARE BB -; Stable (Double B Minus; Outlook: Stable)	Assigned
Total Facilities	5.40 (Rupees Five crore and Forty lakh only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating assigned to the bank facilities of Dropadi Industries (DI) is constrained by its small scale of operations with low capitalization, thin and fluctuating profitability, leveraged capital structure, weak debt coverage indicators and working capital intensive nature of operations. The rating is further constrained by its presence in a highly competitive and fragmented industry, susceptibility of margins to volatility in raw material prices and partnership nature of constitution.

The above weaknesses are partially offset by long track record of operations, experience of the promoters in the business and established relations with customer and suppliers.

The ability of DI to increase its scale of operations with improvement in profit margins amidst intense competition and also improve capital structure coupled with efficient management of working capital requirement are the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths

Long track record of operations and experienced partners and established relationship with customers and suppliers:

DI has been in existence for more than three decades and is managed by Kejriwal family, with Mr Anil Kejriwal, Mr Archit Kejriwal and Mr Akshat Kejriwal as partners. Mr Anil Kejriwal is managing the overall operations of the firm and has been associated with the firm since inception and has developed strong business relations with customers and suppliers. The promoters are supported by experienced second line of management team. Over the years of its operation in the processing and trading of wheat, the promoters of the firm have developed long-standing & established relationships with customers and suppliers.

Key Rating Weaknesses

Small scale of operations with low and fluctuating profitability: Total operating income of the firm remained fluctuating during the period of FY14 (refers to the period April 1 to March 31) to FY17 with steady growth till FY16 and decline of 19% in FY17 over FY16 on account of decline in trading activities and more emphasis on processing of wheat. However, the scale of operations remained small with total operating income (TOI) of Rs.45.41 crore in FY17 and tangible net worth of Rs.2.44 crore as on March 31, 2017 thus limiting financial flexibility of the firm. The firm operates on thin PBILD and PAT margin due to predominantly trading nature of operations and low value addition in processing activities. Also, margins are susceptible to price fluctuations in food grain prices.

Leveraged capital structure and weak debt coverage indicators: The capital structure of DI remained leveraged during last three balance sheet dates on account of higher reliance on working capital limits and unsecured loans from banks/financial institution and related parties. Furthermore, the debt coverage indicators also remained weak during FY14-FY17 due to thin profit margins.

Working capital intensive nature of operation: Operations of DI are working capital intensive in nature with funds being largely blocked in receivables (as the firm has to give higher credit period to its customers due to intense competition from the market and to maintain relationship with its customer) and also the firm gives heavy advances to its suppliers to stock the raw material at supplier's place and receives the same as per the requirements. Hence, the operations are highly dependent on working capital borrowing which led to higher average utilization of working capital limits.

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

Presence in competitive and fragmented industry: The initial capital expenditure requirement for the agro industry is not very high and on account of the same the industry is replete with a number of players both in the organized and unorganized sector. The commodity nature of the product makes the industry highly fragmented with more than two-third of the total number of players being in the unorganized sector with very less product differentiation.

Analytical approach: Standalone

Applicable Criteria

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

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

[Rating Methodology - Wholesale Trading](#)

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

About the Company

Dropadi Industries (DI) was established in the year 1984 by Mr Anil Kejriwal with his father and brother as partners. Presently Mr Anil Kejriwal, Mr Archit Kejriwal and Mr Akshat Kejriwal are managing the firm as partners. The firm is engaged in trading and processing of wheat to manufacture different forms of flour such as Maida, Rawa, Suji, and wheat flour (atta) with an installed capacity of 80 tons per day at its plant located at Vasai, Maharashtra. During FY17, the processing activity has contributed 47% of total sales while the rest is through trading.

The firm operates in the domestic market under the brand name of 'Trishul' and caters to bakeries and wholesale traders across Maharashtra and Gujarat. The main products of the company include Maida contributing ~26%, followed by Bran contributing about 12%, Rawa/Suji around 3%, and wheat flour contributing approximately 2% to total revenue in FY17. DI procures raw material i.e. wheat from various states like Gujarat, Madhya Pradesh, Uttar Pradesh, Rajasthan, Delhi and Punjab through brokers and also from Food Corporation of India.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (Prov.)
Total operating income	56.83	45.41
PBILDT	1.03	1.36
PAT	0.11	0.29
Overall gearing (times)	2.65	3.99
Interest coverage (times)	1.17	1.30

A: Audited; Prov.: Provisional

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

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

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

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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-Cash Credit	-	-	-	5.40	CARE BB-; Stable

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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Cash Credit	LT	5.40	CARE BB-; Stable	-	-	-	-

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