

Dropadi Industries (Revised)

August 5, 2019

Ratings

| Facilities | Amount (Rs. crore) | Rating ¹ | Rating Action |
|---------------------------|---|---|---|
| Long-term Bank Facilities | 5.40 | CARE B; Stable; Issuer Not Cooperating (Single B; Outlook: Stable; Issuer Not Cooperating) | Issuer Not Cooperating; Revised from CARE BB-; Stable on the basis of best available information |
| Total Facilities | 5.40 (Rupees Five crore and forty lakh only) | | |

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Dropadi Industries to monitor the rating(s) vide e-mail communications/ letters dated May 24, 2019, June 3, 2019, June 11, 2019, July 3, 2019 and numerous phone calls. However, despite our repeated requests, the firm has not provided the requisite information for monitoring the ratings. In the absence of minimum information required for the purpose of rating, CARE is unable to express opinion on the rating. Further, Dropadi Industries has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. In line with the extant SEBI guidelines CARE's rating on Dropadi Industries 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).

The rating has been revised on account of non-cooperation by DI, with CARE's efforts to undertake a review of the ratings outstanding. CARE views information availability risk as a key factor in its assessment of credit risk. Further, as per the banker interaction, instances of overdrawals observed in the cash credit facility.

Detailed description of the key rating drivers**Key Rating Weaknesses**

Small scale of operations with low and fluctuating profitability: Total operating income of the firm remained fluctuating during the period of FY15 (refers to the period April 1 to March 31) to FY18. However, the scale of operations remained small with total operating income (TOI) of Rs.53.31 crore in FY18 and tangible net worth of Rs.2.52 crore as on March 31, 2018 thus limiting financial flexibility of the firm. The firm operates on thin PBILD and PAT margin due to low value addition in processing activities along with trading nature of operations. 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 external borrowings. Furthermore, the debt coverage indicators also remained weak during FY14-FY18 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 utilization of working capital limits.

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.

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

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

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 operations in the processing and trading of wheat, the promoters have developed long-standing & established relationships with customers and suppliers.

Liquidity Analysis:

The liquidity position is marked by moderate current ratio and quick ratio at 1.38 times and 1.33 times respectively as on March 31, 2018. Further, cash flow from operating activities stood positive of Rs.0.77 crore as on March 31, 2018. Moreover, free cash and bank balance was Rs.0.22 crore as on March 31, 2018. Further, as per the banker interaction, some instances of overdrawals observed in the cash credit facility during past 12 months ended June 2019 on account of stretched liquidity position.

Analytical approach: Standalone

Applicable Criteria:

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

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

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

[Rating Methodology - Wholesale Trading](#)

[CARE's Methodology for Manufacturing Companies](#)

[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. The firm operates in the domestic market under the brand name of 'Trishul' and caters to bakeries and wholesale traders across Maharashtra and Gujarat. DI procures raw material i.e. wheat from various states like Gujarat, Madhya Pradesh, Uttar Pradesh, Rajasthan, Delhi and Punjab through brokers.

| Brief Financials (Rs. crore) | FY17 (A) | FY18 (A) |
|------------------------------|----------|----------|
| Total operating income | 44.78 | 53.31 |
| PBILDT | 1.50 | 1.75 |
| PAT | 0.11 | 0.19 |
| Overall gearing (times) | 4.67 | 4.94 |
| Interest coverage (times) | 1.11 | 1.14 |

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not applicable

Rating History (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-Cash Credit | - | - | - | 5.40 | CARE B; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB-; Stable on the basis of 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-Cash Credit | LT | 5.40 | CARE B; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB-; Stable on the basis of best available information | - | 1)CARE BB-; Stable (02-Jul-18) | 1)CARE BB-; Stable (12-Jul-17) | - |

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 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.

Disclaimer

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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.

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