

Dropadi Industries

September 4, 2020

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities	5.40	CARE B-; Stable; ISSUER NOT COOPERATING* (Single B Minus; Outlook: Stable ISSUER NOT COOPERATING*)	Issuer not cooperating; Revised from CARE B; Stable; ISSUER NOT COOPERATING* (Single B; Outlook: Stable ISSUER NOT COOPERATING*) on the basis of best available information
Total	5.40 (Rs. Five Crore and Forty Lakhs Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated August 5, 2019, placed the rating(s) of Dropadi Industries (DI) under the 'issuer non-cooperating' category as DI had failed to provide information for monitoring of the rating. DI continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and a letter/email dated August 07, 2020. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

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 revision in rating factors in non-cooperation by DI and 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.

Detailed description of the key rating drivers

At the time of last rating on August 5, 2019 the following were the rating weaknesses and strengths:

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 PBILDT 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.

²Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications

*Issuer did not cooperate; Based on best available information

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

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-Manufacturing Companies](#)

[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. 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

A: Audited

Status of non-cooperation with previous CRA: Nil

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-Cash Credit	-	-	-	5.40	CARE B-; Stable; ISSUER NOT COOPERATING*

*Issuer did not cooperate; 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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Cash Credit	LT	5.40	CARE B-; Stable; ISSUER NOT COOPERATING*	-	1)CARE B; Stable; ISSUER NOT COOPERATING* (05-Aug-19)	1)CARE BB-; Stable (02-Jul-18)	1)CARE BB-; Stable (12-Jul-17)

*Issuer did not cooperate; Based on best available information

Annexure 3: Complexity level of various instruments rated for this Firm

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple

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.

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