

## Reinhart India Private Limited

April 03, 2020

### Ratings

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
LT/ST Bank Facilities- Fund-based/Non Fund based –CC/LC	-	-	Reaffirmed at CARE BBB-, Outlook: Stable (CE)/ CARE A3 (CE) and Withdrawn
<b>Total Facilities</b>	-	-	

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale, Key Rating Drivers and Detailed description of the key rating drivers

*CARE has reviewed the rating assigned to the bank facilities of Reinhart India Private Limited and has simultaneously withdrawn it, with immediate effect.*

*The rating withdrawal is at the request of Reinhart India Private Limited and 'No Objection Certificate' received from the bank that has extended the facilities rated by CARE.*

#### Detailed description of the key rating drivers

##### Key Rating Strengths

##### ***Experienced promoter and management team***

Reinhart India Private Limited (RIPL) is a wholly owned subsidiary of Paul Reinhart AG. The company was formerly known as Reinhart & Co. Paul Reinhart AG was founded in 1788 and is based in Winterthur, Switzerland. Paul Reinhart AG operates as a raw cotton trading company worldwide. It engages in purchasing and selling cotton in Egypt, Uganda, India, West Africa, Turkey, Kyrgyzstan, United States, Central Asia, China, and Israel. Paul Reinhart was founded in 1788 and is among the largest cotton traders across the globe. Mr. Thomas Paul Reinhart and Mr. Paul Jürg Reinhart are currently managing Paul Reinhart AG and are 7<sup>th</sup> generation of the Reinhart business family. Mr. Thomas Paul Reinhart takes care of the sourcing and marketing process for China whereas Mr. Paul Jürg Reinhart takes care of the worldwide operations. Mr. Paul Jürg Reinhart was also the President of International Cotton Association during FY17 and has around four decades of experience in commodity trading.

The group started U.S. operations in 1992, and was world's largest cotton merchant till 2008. Currently, it is among the largest traders in Europe and in the world.

##### ***Resourceful promoter group***

Paul Reinhart AG on account of its long track record of operations has a robust financial profile. On a standalone basis, the company had income from operations amounting to Rs. 4,138 crore during CY17 and reported PAT of Rs.33 crore. The company reported net worth of Rs.656 crore as on December 31, 2017.

##### ***Well-established relationship with cotton ginnings and customers***

Being in this line of business over more than 200 years and presence across the globe, Paul Reinhart AG has established relationships with its customers and suppliers. The Indian entity (RIPL) also benefits from the strong brand name of its promoter and has been able to develop an established relationship with cotton ginnings (for procurement of cotton bales) and customers in India and abroad. The company procures cotton bales from the

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

states of Gujarat, Haryana, Rajasthan, Telangana and Maharashtra. The company's domestic customer profile includes various textile players.

#### ***Adequate risk mitigation mechanism in place***

The group has a global presence in all the major cotton markets across the globe which provides them regular insights on the price outlook along with the production and consumption trends. RIPL benefits from the expertise of the group and has adequate risk mitigation mechanism in place with access to the global risk team. RIPL hedges its inventory to foreign currency fluctuation risk using currency forwards.

Further, all the export sales are backed by LC from the buyer whereas domestic sales are done against 100% advance at the time of delivery, thereby reducing the counterparty risk significantly.

#### ***Moderate Financial Risk Profile with improved profitability and comfortable capital structure***

**Profitability:** The Company is in the business of trading and profitability margins generally remained low. PBILDT margin of the company have improved and stood at 4.88% during FY19 (PY: 0.31%). The same is on account of better negotiation of selling prices leading better margins. However, the PAT margin remained almost stable and stood at 0.79% in FY19 (PY: 0.85%).

**Capital structure an coverage indicators:** The capital structure of the company improved with an overall gearing of 0.26x as on March 31, 2019 as against 2.76x as on March 31, 2018. The same is on account of lower utilization of working capital borrowings. On account of improvement in profitability and decline in debt the coverage indicators improved. The interest coverage ratio and Total Debt to GCA stood at 5.98x and 4.08x in FY19 respectively.

#### **Key Rating Weaknesses**

##### ***Working capital intensive nature of operations***

The operating cycle of the company improved and stood at 91 days as on 31<sup>st</sup> March 2019 as against 120 days as on 31<sup>st</sup> March 2018. The same has been on account of better management of inventory levels leading to decline in the inventory holding period to 63 days for FY19 as against 93 days for FY18.

##### ***Product concentration and other risks***

Paul Reinhart AG and RIPL earn majority of its revenues from trading in single product i.e. raw cotton which exposes them to product concentration risk. Moreover the industry is also highly susceptible to regulatory restrictions in India especially for RIPL on cotton exports. Cotton cultivation is also affected due to climatic conditions and is vulnerable to attack from whitefly pest.

**Analytical approach:** Not Applicable

#### **Applicable Criteria**

[Policy on Withdrawal of ratings](#)

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

[Criteria for Short Term Instruments](#)

[CARE's default recognition policy](#)

[Financial ratios - Non Financial Sector](#)

#### **About the Company**

Reinhart India Private Limited (RIPL) is a wholly owned subsidiary of Paul Reinhart AG and was incorporated in November 15, 2010. Paul Reinhart AG is a leading worldwide cotton merchant, founded in 1788 and headquartered in Winterthur, Switzerland. The company is engaged in trading of cotton and derived approximately 44% (PY: 53%) income from domestic sales and 56% (PY: 47%) from export sales during FY19. RIPL

procures cotton lint in bales from various ginneries across the major cotton hubs and sells them in domestic as well as export markets.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)	FY19 (A)
Total Operating Income	397.78	523.04	407.15
PBILDT	(0.07)	1.64	19.86
PAT	(3.65)	(11.15)	3.21
Overall Gearing (times)	1.34	2.36	0.26
Interest coverage (times)	(0.03)	0.44	5.98

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
LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	-	-	-	0.00	Withdrawn

**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.	LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	LT/ST	-	-	-	1)CARE BBB-(SO); Stable / CARE A3 (SO) (14-Dec-18)	1)CARE BBB-; Stable / CARE A3 (07-Feb-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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