

## SCIL Capital India Private Limited

May 27, 2020

### Ratings

Facility	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long-term Bank Facilities	20.00	CARE BB; Stable; ISSUER NOT COOPERATING* (Double B; Outlook: Stable; Issuer not Cooperating)	Revised from CARE BB+; Stable ( Double B Plus; Outlook: Stable)
<b>Total Facilities</b>	<b>Rs. 20.00</b> <b>( Twenty Crore Only)</b>		

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

The revision in rating assigned to the bank facilities of SCIL Capital India Private Limited (SCIPL) is on account of increase in net losses.

The rating is also constrained on account of price volatility of traded goods, moderate working capital cycle and low margins inherent to trading operations. However, rating continues to derive strength from experienced promoters, established distribution network and favorable capital structure.

Also, CARE has been seeking information from SCIPL to monitor the rating vide e-mail communications dated May 06, 2020, February 18, 2020, January 17, 2020 and November 27, 2019 and letter dated March 18, 2019 and numerous phone calls. However, despite our repeated requests, the Company has not provided the requisite information for monitoring the rating. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information that however, in CARE's opinion is not sufficient to arrive at a fair rating. The rating on SCIL Capital of India Private Limited's bank facilities will now be denoted as **CARE BB; 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).***

### Key rating weakness

#### ***Decline in profitability margins***

SCIPL registered Total Operating Income (TOI) of Rs.120.97 crore in FY19 as compared to Rs.125.69 crore in FY18. Company registered a net loss of Rs.2.81 crore in FY19 as compared to net loss of Rs.0.53 crore in FY18. SCIPL continues to have negative margins in FY19.

#### ***Product concentration risk and susceptibility to raw material price fluctuation***

The company mainly trades in single product i.e. raw cotton and thus is exposed to product concentration risk. On the regulatory front, the company remains exposed to price controls under the Minimum Selling Price (MSP) mechanism. The Company also remains vulnerable to fluctuations in cotton and yarn prices due to changes in weather conditions impacting cotton cultivation. Furthermore, due to seasonal nature of cotton trade, majority of sales is clocked during the peak period i.e. in the months of December to May. Also, the industry is fragmented with presence of large number of organized and unorganized players and thus increasing the competitive nature of the industry.

### Key Rating Strengths

#### ***Extensive experience of the promoters and long track record of KVS group in the cotton industry***

SCIPL is a part of the KVS (Khimji Visram & Sons) group, one of the leading cotton trading merchants in India, with a strong repute as well as long and demonstrated track record of more than 140 years in the trade. SCIL was incorporated in August 1995 and is promoted by Mr. Nayan Mirani (Managing Director) and Mr. Manish Mirani, (whole-time director), having an experience of more than three decades in the cotton trading business. The promoters are well supported by experienced management team.

#### ***Strong sourcing arrangement, established distribution network***

SCIL is aided by strong sourcing arrangement and established distribution network of KVS group. The Group has well-established logistical network for procuring and exporting cotton from various parts of India and is catering to global markets. The Group has branches in all major cotton growing states in the country including Ahmedabad, Rajkot, Bhatinda, Sri Ganganagar, Kadi, etc. The company sources cotton from ginneries in Rajasthan, Punjab, Haryana, Gujarat, Maharashtra

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

and Andhra Pradesh. The group exports to various countries like Japan, China, Pakistan, Bangladesh, Turkey and other South East Asian countries. SCIL stands to benefit on the operational side from the group's long and established presence in the cotton trading business, its strong relations with customers and suppliers.

**Analytical approach:** Standalone

#### Applicable Criteria

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

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

[Care's Rating Methodology- Wholesale trading](#)

[Financial ratios- Non Financial Sector](#)

#### About the Company

SCIL Capital India Private Limited (SCIL) is a part of the KVS (Khimji Visram & Sons) group and was incorporated in August 1995. Company is registered as NBFC. As an NBFC, the company primarily deals in trading of equity shares, debentures and preference shares along with investments in venture capital, mutual funds and bonds. In addition, the company also grants Inter-Corporate Deposits (ICDs). Furthermore, the company is also in the business of trading and export of cotton bales. SCIL's cotton trading arm commenced operations in August 2015. Khimji Visram & Sons (Gujarat) Private Limited, a group company has holding stake of 14.6% in SCIL. Currently, SCIL's day-to-day operations are looked after by Mr. Nayan Mirani (Managing Director) and Mr. Manish Mirani (Whole-time Director).

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	125.69	120.97
PBILDT	-1.76	0.51
PAT	-0.53	-2.81
Overall gearing (times)	0.63	0.00
Interest coverage (times)	-1.40	0.42

A: Audited

**Status of non-cooperation with previous CRA:** NA

**Any other information:** Not Applicable

**Rating History:** 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-EPC/PSC	-	-	-	20.00	CARE BB; 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 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-EPC/PSC	LT	20.00	CARE BB; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB+; Stable on the basis of best available information	-	-	1)CARE BB+; Stable (07-Mar-19)	1)CARE BBB-; Negative (19-Jan-18)

## Annexure-3: Detailed explanation of covenants of the rated instrument / facilities- NA

**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.

## Contact Us

**Media Contact:**

Name: Mradul Mishra  
Tel: +91-22-6837-4424  
Email: [mradul.mishra@careratings.com](mailto:mradul.mishra@careratings.com)

**Analyst Contact:**

Name: Mr. Parijat Sinha  
Tel: +91-22-6754-3466  
Email: [parijat.sinha@careratings.com](mailto:parijat.sinha@careratings.com)

**Relationship Contact:**

Name: Saikat Roy  
Tel: +91-22-6754-404  
Email: [saikat.roy@careratings.com](mailto:saikat.roy@careratings.com)

**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**

CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, 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. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.

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)**