



## Press Release

### Logan Minerals Private Limited

January 21, 2021

#### Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action
Long Term/Short Term Bank facilities	2.00 (reduced from Rs. 3.00 cr)	IVR BBB-/ IVR A3/ Credit Watch with Developing Implications (IVR Triple B Minus/ IVR A Three under Credit watch with developing implications)	Reaffirmed (Under credit watch with developing implications)
Short Term Bank Facilities	26.00 (including proposed limit of Rs. 0.40 cr) (increased from Rs. 25.00 cr)	IVR A3 (Credit Watch with Developing Implications) (IVR A Three under Credit watch with developing implications)	Reaffirmed (Under credit watch with developing implications)
<b>Total</b>	<b>28.00</b>		

Details of Facilities are in Annexure 1

#### Detailed Rationale

The reaffirmation of ratings assigned to the bank facilities of Logan Minerals Private Limited (LMPL) continues to consider the common management team and operational & financial linkages between LMPL and its group concern, Apical Exim Private Limited (AEPL). Infomerics has taken a consolidated view of these entities referred together as Apical group. The ratings continue to derive comfort from its experienced promoters with satisfactory track record, stable financial performance of the group with comfortable financial risk profile marked by satisfactory gearing and debt protection metrics and steady demand outlook for rice. The ratings remain under credit watch with developing implications in view of the uncertainty relating to worldwide outbreak of COVID-19 and consequent global lockdown as preceded in the recent past coupled with the uncertainty emanating from container/vessels shortage crisis due to ongoing global trade war. Infomerics will continue to monitor the developments until the exact implications of the above on the credit risk profile of the company are clear.



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### Rating Sensitivities

#### Upward Factors:

- Sustained growth in scale of operations of the Apical group with improvement in profit margins.
- Sustenance of the capital structure with improvement in debt protection metrics.

#### Downward Factors:

- Substantial deterioration in revenue and profitability of the Apical group.
- Deterioration in the capital structure with overall gearing gone over 1.5x and/or moderation in debt protection metrics with interest coverage ratio deteriorated to below 2x.
- Deterioration in liquidity.

### Detailed Description of Key Rating Drivers

#### Key Rating Strengths

- **Experienced promoter with satisfactory track record of operations**

The Apical group has a satisfactory track record of more than a decade in trading operations. The promoters, Mr. Rakesh Kumar Singhania and Mrs. Sushma Devi Singhania are having vast experience in trading of various products including, non-basmati rice, coal, billet, pig iron, fines etc. Mr. Rakesh Kumar Singhania (Director), having more than a decade of experience in trading segment, looks after the overall management of the company, well supported by co-director Mrs. Sushma Devi Agarwal who is also having about a decade long experience in the same line of business.

- **Stable financial performance of the group**

The total operating income of the Apical group remained stagnant in FY20 and stood at Rs.210.86 crore (Rs.211.92 crore in FY19). Further, with stagnant total operating income, the EBITDA of the company also remained same in FY20 as compared to FY19 whereas the absolute PAT improved marginally. The profit margins also remained stable in FY20 as compared to FY19. In H1FY21, on a combined basis the Apical group has achieved a revenue of Rs. 90.03 crore.



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- **Comfortable financial risk profile marked by satisfactory gearing and debt protection metrics with minimal debt repayment obligations**

The financial risk profile of the Apical group continues to remain comfortable marked by its continued comfortable leverage ratios and satisfactory debt protection metrics with minimal debt repayment obligations in the near term. The long debt equity and overall gearing ratio of the group stood satisfactory at 0.01 times and 1.18 times respectively as on March 31,2020 [0.05 times and 0.99 times as on March 31,2019]. The interest coverage ratio remained comfortable and improved from 3.21 times in FY19 to 3.34 times in FY20, Further, Total indebtedness of the Apical group continued to remain healthy as reflected by its TOL/TNW at 1.52 times as on March 31, 2020 (1.35 times as on March 31.2019). Infomerics expects that the financial risk profile of the Apical group will continue to remain comfortable in the near term.

- **Steady demand outlook for rice**

India has been the top exporter in global rice trade, accounting for more than 20% of the export in the last few years. Indian rice caters to the Middle East and Africa for non-Basmati, and the EU and the US for Basmati variety. With the increasing demand for rice globally, the exports are increasing from India. India being the second largest producer of rice holds a key position in the rice export market and the Indian rice exporters like the Apical group is expected to benefit further.

### Key Rating Weaknesses

- **Thin profit margin**

The operating margin of the Apical group remained thin due to its trading nature of operations marked by limited value addition and limited product differentiation with intense competition. The EBIDT Margin of the group stood at 3.14% while the PAT margin stood at 1.58% in FY20.

- **Intense competition in domestic and export market**

Trading of non-basmati rice segment is highly competitive marked by presence of many organised and unorganised players in the domestic as well as in the export market. Low entry barriers coupled with low technologies requirement makes the trading operations vulnerable and limits the pricing flexibility. Further, the group is



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facing vessels shortage due to on-going global trade war which may impact the revenue to an extent in the near term.

- **Exposure to foreign exchange fluctuations**

Being an export-oriented unit, the Apical group is exposed to risk of forex fluctuation. However, the group use proper hedging mechanism through PCFC account and forward contracts to mitigate the risk.

- **Working capital intensive nature of operations**

The operations of the Apical group are working capital intensive marked by its high debtors collection period and inventory holding requirements for prompt supply of its traded materials. The average utilisation of its fund-based limit remained on higher side at ~93% during last twelve months ended in Oct, 20. However, the counter party default risk is on the lower side as its foreign clients are again backed by DA/DP (document against acceptance/document against payment). Further, long term relationship with the customers mitigates the risk of bad debt to a certain extent.

**Analytical Approach:** Consolidated.

For arriving at the ratings, INFOMERICS analytical team has combined the financials of two companies constituting the Apical Group considering the same management and strong operational and financial linkages. The list of companies is given in **Annexure 2**.

**Applicable Criteria:**

Rating Methodology for Trading Companies

Financial Ratios & Interpretation (Non-financial Sector)

**Liquidity: Adequate**

The liquidity position of the Apical group appears adequate marked by its negligible debt repayment obligations vis-à-vis its expected gross cash accruals. However, the average utilization of the working capital limits stood high at around 93% indicating a limited liquidity cushion. The group has sought for enhancement in its working capital limits.



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### About the Company

Logan Minerals Private Limited (LMPL) incorporated in 2009 is a part of Kolkata based Apical Group promoted by Mr. Rakesh Kumar Singhania and Mrs. Sushma Devi Singhania having more than a decade of experience in trading. Also, they are handling the helm of affairs of the company. The group is predominantly engaged in trading and export of non-basmati rice and other food items.

### **Financials (Combined):**

For the year ended* / As On	(Rs. crore)	
	31-03-2019	31-03-2020
	Combined	Combined
Total Operating Income	211.92	210.86
EBITDA	6.63	6.61
PAT	3.19	3.33
Total Debt	29.29	38.91
Tangible Net worth	29.72	33.05
EBITDA Margin (%)	3.13	3.14
PAT Margin (%)	1.50	1.58
Overall Gearing Ratio (x)	0.99	1.18

\*Classification as per Infomerics' standards.

### **Financials (Standalone):**

For the year ended* / As On	(Rs. crore)	
	31-03-2019	31-03-2020
	Audited	Audited
Total Operating Income	89.59	98.61
EBITDA	2.58	2.98
PAT	1.42	1.61
Total Debt	16.41	22.59
Tangible Net worth	8.88	10.50
EBITDA Margin (%)	2.88	3.02
PAT Margin (%)	1.58	1.63
Overall Gearing Ratio (x)	1.85	2.15

\*Classification as per Infomerics' standards.

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

**Any other information: Nil**



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### Rating History for last three years:

Sr. No.	Name of Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Cash Credit/PCFC	Long Term/ Short Term	2.00	IVR BBB-/IVR A3/ Credit Watch with Developing Implications (IVR Triple B Minus/ IVR A Three under Credit watch with developing implications)	IVR BBB-/Stable & IVR A3 (20.11.19)	-	-
2.	Packing Credit	Short Term	9.50	IVR A3 (Credit Watch with Developing Implications)	IVR A3 (20.11.19)	-	-
3.	Foreign Currency Bills Discounted*	Short Term	11.50	IVR A3 (Credit Watch with Developing Implications)	-		
4.	Gold Card	Short Term	4.60	IVR A3 (Credit Watch with Developing Implications)	IVR A3 (20.11.19)		
5.	Proposed	Short Term	0.40	IVR A3 (Reclassified from long term to short term)	-	-	-

\*FBP/Foreign Bills Negotiation are sublimits.

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).

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### About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.

**Disclaimer:** Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are 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 us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term/Short Term Fund based facilities- Cash Credit/PCFC	-	-	-	2.00	IVR BBB-/ IVR A3 (Under Credit Watch with Developing Implications)
Short Term Fund Based Facilities – Packing Credit	-	-	-	9.50	IVR A3 (Credit Watch with Developing Implications)
Short Term Fund Based Facilities – Foreign Currency Bills Discounted*	-	-	-	11.50	IVR A3 (Credit Watch with Developing Implications)
Short Term Fund Based Facilities – Gold Card	-	-	-	4.60	IVR A3 (Credit Watch with Developing Implications)



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Short Term Fund Based Facilities – Proposed	-	-	-	0.40	IVR A3 (Credit Watch with Developing Implications)
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\* *FBP/Foreign Bills Negotiation are sublimit*

### Annexure 2: List of companies considered for consolidated analysis

Name of the Company	Consolidation Approach
Apical Exim Private Limited	Full consolidation
Logan Minerals Private Limited	Full consolidation

