

June 29, 2022

Padia Exports Private Limited: [ICRA]BB-(Stable)/[ICRA]A4; assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long-term/ Short term Fund-based – Working Capital facilities	15.50	[ICRA]BB-(Stable)/[ICRA]A4; assigned
Total	15.50	

*Instrument details are provided in Annexure-1

Rationale

The assigned ratings favourably factor in the extensive experience of the promoters spanning over 25 years in the utensil manufacturing and trading business. The ratings also draw support from the company's established relationship with its customers and suppliers, translating into repeat orders from key clients.

The ratings, however, are constrained by the company's moderate scale of operations and weak financial risk profile. The ratings are also constrained by intense competition in a fragmented industry structure, which limits Padia Exports Private Limited's (PEPL) ability to pass on the increase in raw material prices. The margins of the entity have also remained subdued on account of low value addition in the business and significant portion of traded goods. The management intends to increase the share of manufactured goods in the overall sales mix to improve margins. The ratings are also constrained by the entity's exposure to the foreign exchange fluctuation risk, however, the risk is partly mitigated as the entity hedges ~50% of its exposure using forward contracts.

The Stable outlook on the long-term rating reflects ICRA's expectations that the entity's operational and financial performances will continue to benefit from its established market position and repeat orders from the clients.

Key rating drivers and their description

Credit strengths

Established track record of promoters in export of stainless steel utensils – The promoters of PEPL have been in the stainless steel industry for more than 25 years. The entity's manufacturing facility is located at Kundli, which gives PEPL easier access to suppliers and cheaper raw material prices.

Long relationship with existing clients minimises counterparty risks to a large extent – The promoters' more than two decades of experience in the industry has resulted in long relationship with clients. Over the years, PEPL has fairly diversified its customer base with the top ten customers contributing just ~36.6% to sales in FY2022 from ~45.6% sales in FY2021. Strong relationship with suppliers has also helped PEPL in enjoying higher credit period and better bargain in terms of pricing.

Credit challenges

Modest scale of operations and weak financial risk profile – PEPL has reported revenue of Rs. 108.8 crore in FY2022 against Rs. 85.9 crore in FY2021. The operating profit margin moderated to 3.28% from 4.63% owing to increased share of traded goods in the sales mix. The financial risk profile of the entity remains weak, however, the same has improved vis-à-vis FY2021, with TD/OPBITDA of 7.2 times, interest cover of 1.5 times and NCA/TD of 15.6% as on March 31, 2022 (provisional) against TD/OPBITDA of 10.6 times, an interest cover of 2.5 times and NCA/TD of 6.7% as on March 31, 2021.

Highly fragmented business, characterised by intense competition, and limited value addition result in thin profit margins

– The company faces stiff competition from organised as well as unorganised players, limiting its pricing flexibility and bargaining power with customers. This has resulted in the scale of operations and operating margins remaining low.

Vulnerability to foreign currency fluctuation risks as most of the revenue is derived from export sales

– The earnings of the entity are exposed to the risk of fluctuation in the rates of foreign currency as more than 75% of the revenue is derived from exports. However, a part of this risk is mitigated by the entity's hedging policy as it hedges ~50% of its exposure using forward contracts.

Liquidity position: Stretched

PEPL's liquidity is expected to remain stretched, as there is limited buffer in the bank limits and high repayments in FY2023 and FY2024. ICRA notes that PEPL does not have major capex commitments in the near term. ICRA also notes that as and when required, the promoters of PEPL have supported the entity by infusing funds in the form of unsecured loans and is expected to continue in the future as well.

Rating sensitivities

Positive factors – ICRA could upgrade PEPL's ratings if there is a sustained improvement in sales and profitability, along with a notable improvement in its liquidity profile.

Negative factors – PEPL's rating could be downgraded if there is a sustained pressure on the operating performance or a deterioration in the working capital intensity, adversely impacting its coverage metrics and liquidity position. Specific credit metrics that could lead to a downgrade include DSCR of less than 1.1 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not Applicable
Consolidation/Standalone	The ratings are based on the standalone financial profile of the rated entity

About the company

Padia Exports Pvt. Ltd. (PEPL) started its business as Padia Corporation (PC), a proprietorship concern, in 1995 under the proprietorship of Mr. Bikash Kumar Padia. In 1998, Padia Corporation was converted into a private limited company. Earlier, the company was only involved in the trading of stainless steel utensils, including kitchenware, tableware, pet ware, bar ware and cutleries. In FY2014, PEPL had set up a unit for processing of stainless steel utensils in Kundli, Haryana. At present, it has an installed capacity of 5,000 MT. PEPL has branch offices in Kolkata, Delhi and Mumbai.

In FY2022, the company reported a net profit of Rs. 3.0 crore on an operating income (OI) of Rs. 108.8 crore compared to a net profit of Rs. 1.8 crore on an OI of Rs. 85.9 crore in FY2021.

Key financial indicators

PEPL	FY2021 (Audited)	FY2022 (Provisional)
Operating income (Rs. crore)	85.9	108.8
PAT (Rs. crore)	1.8	3.0
OPBDIT/OI	4.63%	3.28%
PAT/OI	2.06%	2.77%
Total outside liabilities/Tangible net worth (times)	3.5	2.4
Total debt/OPBDIT (times)	10.6	7.2
Interest coverage (times)	2.5	1.5

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Current rating (FY2023)				Chronology of Rating History for the past 3 years		
	Type	Amount rated	Amount outstanding as of Mar 31, 2022	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021	Date & rating in FY2020
		(Rs. crore)	(Rs. crore)	June 29, 2022	-	-	-
1 Fund-based working capital facilities	Long-term and short term	15.5	--	[ICRA]BB-(Stable)/[ICRA]A4	-	-	-

Complexity level of the rated instruments

Instrument	Complexity Indicator
Fund-based Working capital facilities	Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: www.icra.in

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Working Capital facilities	NA	NA	NA	15.50	[ICRA]BB-(Stable)/[ICRA]A4

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure-2: List of entities considered for consolidated analysis - NA

ANALYST CONTACTS

Jayanta Roy

+91 33 7150 1120

jayanta@icraindia.com

Kaushik Das

+91 33 7150 1104

kaushikd@icraindia.com

Vipin Jindal

+91 124 4545355

vipin.jindal@icraindia.com

Nilesh Kumar Jain

+91 44 4596 4306

nilesh.jain@icraindia.com

RELATIONSHIP CONTACT

Jayanta Chatterjee

+91 80 4332 6401

jayantac@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani

Tel: +91 124 4545 860

communications@icraindia.com

Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

About ICRA Limited:

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Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited



Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001
Tel: +91 11 23357940-45



Branches



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