

Honest Derivatives Private Limited

Instrument	Amount	Rating Action
Long term, fund based – Term Loans	Rs. 27.50 crore (reduced from Rs 43.85 crore)	Upgraded to [ICRA]BBB+ from [ICRA]BBB; Stable outlook
Long term, fund based – Cash credit	Rs. 55.00 crore (enhanced from Rs 38.00 crore)	Upgraded to [ICRA]BBB+ from [ICRA]BBB; Stable outlook
Short term, non-fund based limits	Rs. 3.75 crore	Upgraded to [ICRA]A2 from [ICRA]A3+
Short term, fund based	Nil (reduced from Rs. 3.00 crore)	-

ICRA has upgraded the long-term rating to [ICRA]BBB+ (pronounced ICRA triple B plus) from [ICRA]BBB (pronounced ICRA triple B) for Rs. 86.25 crore (reduced from Rs. 88.60 crore) bank facilities of Honest Derivatives Private Limited (Honest)[†]. ICRA has also upgraded the short-term rating to [ICRA]A2 (pronounced ICRA A two) from [ICRA]A3+ (pronounced ICRA A three plus). The outlook on the long-term rating is Stable. ICRA has taken a consolidated financial view of the Tradco group (comprising of three companies viz. Shri Tradco India Private Limited (Tradco), Shri Tradco Deesan Private Limited (Deesan) and Honest) while arriving at the ratings as the companies derive significant business synergies from each other.

The rating upgrade takes into consideration improvement in operating margins in current fiscal on account of increased share of value added products and healthy revenue growth prospects backed by adequate availability of maize and enhanced capacities in Deesan and Honest. The group had witnessed healthy revenue growth amid maize availability issues during FY15 supported by increase in maize trading and starch & derivatives volumes on account of adequate maize procurement in a timely manner at favorable prices. Recent product diversification into One Shot Specialty Starch and tie up with prestigious chemical technology institute for developing complex starch based products is expected to enhance group's profitability and competitiveness in medium to long term. The ratings continue to derive comfort from long standing promoter's experience in agro based industry, integrated operations with established procurement and distribution network and presence across supply chain from maize procurement to starch & derivative manufacturing. The Group has recently tied up with reputed chemical institute and corporate for development of new specialized products which along with set up of new dedicated facilities for liquid glucose, dextrose monohydrate, high maltose syrup and dextrose syrup will increase the share of high margin products in revenue portfolio and would lead to improvement in margins and overall profitability of the group in medium to long term. Further, ICRA has also considered favourable long term demand prospects of the starch industry and management's commitment towards equity infusion as and when required.

The ratings however remain constrained by high working capital intensity inherent in the agro business due to seasonal procurement of maize and extended receivable cycle, leveraged capital structure due to sizeable debt funded capex incurred during last few years and sizeable debt repayment obligations in near to medium term. The group has moderate scale of operations in the starch segment as compared to other large established manufacturers; however given healthy scale up in value added product portfolio, the group is well poised to gain foothold in the organized starch industry. The ratings also take into account exposure to volatile commodity price movements, susceptibility to the vagaries of agro-climatic conditions, government regulations prevalent in the agriculture sector and intense competition from organized as well as unorganized players in the industry. Scaling up share of value added starch derivatives and working capital cycle management remain key sensitivity factors going forward.

Company Profile

The Tradco group comprises of three companies viz. Shri Tradco India Private Limited, Shri Tradco Deesan Private Limited and Honest Derivatives Private Limited and deals primarily in maize and its

[†] For complete rating definition, please refer to ICRA website www.icra.in or any of the ICRA Rating Publications.



derivatives. The group is promoted by Mr. Rajratan Agarwal who manages the affairs of the group assisted by his wife Mrs. Nidhi Agarwal. Tradco is the flagship company of the group incorporated in 2006. The group has two maize processing facilities, one at Dhule (Deesan) and other at Jamner (Honest) with processing capacity of 96,000 MTPA and 105,000 MTPA respectively. Honest was acquired by the group in two tranches: 50% in January, 2010 and the balance in January, 2011. The company manufactures maize starch and its derivatives viz. glucose, maize germ, gluten, starch and its further derivatives- Dextrose Anhydrate (DAH), Dextrose Monohydrate (DMH), Malto Dextrine etc.

Recent Results

Honest registered an operating income of Rs. 234.38 crore and a PAT of Rs 4.80 crore for the year ending March 31, 2015.

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