



Press Release

TLG Agro Traders Private Limited

October 29, 2020

Ratings

| Instrument Facility / | Amount (Rs. crore) | Ratings | Rating Action |
|----------------------------|--------------------|--|---------------|
| Long Term Bank Facilities | 25.00 | IVR BB+/Stable (IVR Double B Plus with Stable Outlook) | Assigned |
| Short Term Bank Facilities | 5.00 | IVR A4+ (IVR A Four Plus) | Assigned |
| Total | 30.00 | | |

Details of Facilities are in Annexure 1

Detailed Rationale

The Rating assigned to the bank facility of TLG Agro Traders Private Limited derives comfort from extensive experience of promoters in rice milling industry, Stable demand prospect for rice and comfortable capital structure. The rating is constrained due to moderate working capital intensive nature of operation, Highly competitive industry with agro climatic risk and exposure to foreign exchange fluctuations.

Key Rating Sensitivities:

Upward Factors

- Significant improvement in scale of operation with improvement in profitability.
- Improvement in capital structure.

Downward Factors

- Deterioration in working capital cycle and liquidity profile of the company.
- Substantial decline in profitability impacting debt protection matrix and liquidity.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Extensive experience of promoters in rice milling industry:

The Promoter of the company Mr.Ripan Goyal have 4 decades of experience and directors of the company Ms.Meenakshi Goyal & Mr. Janesh Garg have 2 – 3 decades of extensive experience in the rice industry which has helped the company to maintain strong relations



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with its customers as well as with its suppliers. Further, having more than a decade of operational track record has helped the company to establish strong market position.

Stable Demand Prospects for Rice:

The demand prospects for rice industry are expected to remain stable as rice is a staple food grain and India is the world's second largest producer and one of the top exporter in global rice trade.

Comfortable capital structure

Capital structure comprised of mainly working capital limits and significant amount of unsecured loans infused by promoters and related parties. Infomerics has considered the amount of unsecured loans as quasi equity. As on March 31, 2020 (Audited), Capital structure of the company remains comfortable marked by moderate gearing ratio at 1.13x compared to 1.61x as on March 31, 2019 (Audited). The interest coverage ratio remains comfortable at 2.13x as on March 31, 2020 (Audited).

Key Rating Weaknesses

Moderate working capital intensive nature of operations:

Operations of the company is moderately working capital intensive as reflected in its operating cycle of 188 days as on March 31st, 2020 (Audited) & 264 days as on March 31st, 2019 (Audited). This is because of high Inventory days of 181 days & 235 days for FY2019-20 & FY2018-19 respectively. Despite high inventory days, debtor collection cycle is managed efficiently with only 14 days & 38 days for FY2019-20 & FY2018-19 respectively.

Highly competitive Industry with agro climatic risk

The Rice processing industry is highly competitive and fragmented industry because of several organised and unorganised players. For rice milling, paddy is the main raw material and it is a seasonal crop and production of the same is highly dependent on the monsoon. Thus, any adverse weather condition like inadequate monsoon may affect the availability of the paddy and that will impact the financial risk profile of the company.



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Exposure to foreign exchange fluctuations

The company derives a major portion of its income from exports due to that company will remain exposed to currency fluctuation to the extent of unhedged exposure. However, company has a hedging mechanism in place to reduce exposure to foreign exchange fluctuations. As on 31st March 2020, the unhedged foreign currency exposure is Nil.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies
Financial Ratios & Interpretation (Non- Financial Sector)

Liquidity – Adequate

The liquidity of the group is expected to remain Adequate in the near to medium term in view of sufficient cash accruals vis-à-vis insignificant debt repayment obligations. The operations are moderately working capital intensive which has led to high reliance on working capital limits. The fund based average working capital utilisation was at ~ 88% during the last twelve months ended September 31, 2020

About the Company

TLG Agro Traders Private Limited is a Punjab based company, Incorporated in 2008 and being promoted by Mr.Ripin Goyal & Mr.Sudhir Goyal. The company is engaged in the milling and processing of Basmati & Non-Basmati Rice. TLG has the processing facility in Punjab's Moga district with an installed capacity of 16 TPH. The company's 50% of the revenue come from export sales to Dubai, Oman & New Zealand.

Financials (Standalone):

(Rs. Crore)

| For the year ended* As on | 31-03-2019 | 31-03-2020 |
|---------------------------|----------------|----------------|
| | Audited | Audited |
| Total Operating Income | 104.15 | 184.54 |
| EBITDA | 5.06 | 7.09 |
| PAT | 0.97 | 2.03 |



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| | | |
|---------------------------|-------|-------|
| Total Debt | 56.73 | 53.70 |
| Tangible Net Worth | 35.34 | 47.72 |
| EBITDA Margin (%) | 4.86 | 3.84 |
| PAT Margin (%) | 0.93 | 1.10 |
| Overall Gearing Ratio (x) | 1.61 | 1.13 |

Status of non-cooperation with previous CRA: CRISIL has classified the company under Issuer Not Cooperating in their press release dated September 17, 2019.

Any other information: N/A

Rating History for last three years:

| Sr. No. | Name of Instrument/Facilities | Current Ratings (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 | Long Term | 25.00 | IVR BB+/Stable | - | - | - |
| 2. | Warehouse Receipt | Short Term | 5.00 | IVR A4+ | - | - | - |

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.

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| | |
|---|---|
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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



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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.

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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 Bank Facility – Cash Credit | - | - | - | 25.00 | IVR BB+/Stable |
| Short Term Bank Facility – Warehouse Receipt | - | - | - | 5.00 | IVR A4+ |