



RATING RATIONALE

06 Nov2019

Agarwalla Teak International Pvt Ltd

Brickwork Ratings assign the ratings for the Bank Loan Facilities of ₹. 61.00 Crs of Agarwalla Teak International Pvt Ltd

Particulars:

Facility**	Amount (₹ Cr)	Tenure	Rating*
Fund based	4.00	Long Term	BWR BB- Stable
Non Fund Based	57.00	Short Term	BWR A4
Total	61.00	INR Sixty One Crores Only	

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

** Details of Bank facilities is provided in Annexure-I

RATING ACTION / OUTLOOK

Brickwork ratings assign long term rating BWR BB-/Stable and short term rating to BWR A4 for the bank loan facilities of Agarwalla Teak International Pvt Ltd.

BWR principally relied upon audited financials upto FY19 and publicly available information and information/clarifications provided by the management.

The rating continues to draw comfort from extensive experience of the promoters and improved turnover. The ratings are however constrained by below average debt protection metrics, thin profitability margins and forex risk.

The outlook is stable as company has achieved growth in revenue over the past two years and expected to grow in the medium term.

KEY RATING DRIVERS

Credit Strengths

- **Experienced Promoters:** Promoters have more than two decades of experience in the same line of business.
- **Improvement in Turnover:** During FY19 entity achieved a turnover of Rs 113.27 Crs as against Rs 95.09 Crs for FY18 showing 16.05% y-o-y improvement.

Credit Risks:

- **Below average Debt protection metrics:** Debt protection metrics improved marginally. During FY19, entity reported debt protection metrics such as ISCR and DSCR 1.33X & 1.30X as against 1.02X & 1.25 respectively but the debt protection metrics are still below the average.
- **Thin Profitability Margin:** During FY19, entity reported profitability margins such as operating margin and PAT margin 4.48% and 0.89% respectively. Margins are thin due to trading nature of the business.
- **Forex Risk:** Entity is engaged in import of timber and teak logs but there is no hedging policy in place.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

BWR has factored in the standalone business parameters and financial risk profile of the company to arrive at the rating. Reference may be made to the Rating Criteria hyperlinked detailed below (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES

Going forward, the ability of the company to improve scale of operations, debt protection metrics and profitability margins would be key rating sensitivity.

Positive: The rating outlook may be revised to positive if the company is able to improve its profitability and scale of operations.

Negative: The rating may be downgraded if turnover and profitability margins of the company decline.



LIQUIDITY POSITION (Stressed)

CC utilization during the last six months is around 92% which is considered to be high. The company generated cash surplus of Rs 1.25 Crs in FY19 whereas CPLTD was NIL. Current ratio of 1.22X as on 31.03.2019 is below the benchmark level.

COMPANY PROFILE

Incorporated in the year 2005, Agarwalla Teak International Private limited (ATIPL) is engaged in the import of timber and teak logs and process it as per customer's requirement. Presently it is being managed by Mr Rakesh Goyal and Mr Navneet Goyal who are presently director in the company.

KEY FINANCIAL INDICATORS (in ₹ Cr)

Key Parameters	Units	FY 18	FY19
Result Type		Audited	Audited
Total Operating Income	Rs Crs	95.19	113.49
OPBDIT	Rs Crs	2.99	5.09
PAT	Rs Crs	0.78	1.02
TNW (Analyzed)*	Rs Crs	17.52	18.27
Total debt/TNW (Analyzed)*	Times	1.94	1.38
Current Ratio	Times	1.28	1.22

***considering unsecured loans as quasi equity.**

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED - NA

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY - India Ratings has moved the rating to Issuer not cooperating as on 10/06/2019

RATING HISTORY

Facilities	Current Rating (2019)			Rating History		
	Tenure	Amount (₹ Cr)	Rating	2018	2017	2016
Fund Based	Long Term	4.00	BWR BB-Stable	NA	NA	NA
Non Fund Based	Short Term	57.00	BWR A4			
Total		61.00	INR Sixty One Crores Only			

*Earlier BWR assigned long term rating BWR B+ Stable and short term rating BWR A4 which was not accepted by the company and the same was published under non acceptance category on 22 March 2019.

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Trading Entities](#)
- [Short Term Debt](#)

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Agarwalla Teak International Pvt Ltd
ANNEXURE I

Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term {(₹ Cr)}	Short Term (₹ Cr)	Total (₹ Cr)
1	UBI	Cash Credit	4.00	-	4.00
2		Import Lc	-	57.00	57.00
TOTAL					61.00

INR Sixty One Crores Only

For print and digital media

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