



Rating Rationale

Agarwalla Teak International Private Limited

21 Oct 2020

Brickwork Ratings reaffirms ratings to the Bank Loan Facilities of ₹. 61 Crs. for Agarwalla Teak International Pvt Ltd

Particulars

| Facility | Previous Amount (₹ Crs) | Present Amount (₹ Crs) | Tenure | Previous Rating Nov.2019 | Rating* |
|----------------|-------------------------|------------------------|----------------------------------|--------------------------|-----------------------------|
| Fund based | 4.00 | 4.00 | Long Term | BWR BB- Stable | BWR BB- Stable (Reaffirmed) |
| Non Fund Based | 57.00 | 57.00 | Short Term | BWR A4 | BWR A4 (Reaffirmed) |
| Total | 61.00 | 61.00 | INR Sixty One Crores Only | | |

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

Rationale/Description of Key Rating Drivers/Rating Sensitivities:

Brickwork Ratings (BWR) has reaffirmed rating of BWR BB- Stable/A4 to the bank loan facilities of Agarwalla Teak International Private Limited (ATIPL).

The rating draws comfort from the extensive experience of the promoters and ATIPL's ability to sustain revenues. The rating, however, is constrained by below average debt protection metrics, thin profitability margins, forex risk and working capital nature of operations due to slow realisation of debtors.

The outlook remains stable as the firm has been able to sustain the revenues from business operations in FY20.

Description of Key Rating Drivers

BWR has principally relied on audited financials upto FY19, provisional financials for FY20, projections for FY21 and information/clarifications provided by the management.

Credit Strengths:

- **Experienced Promoters:** Promoters have more than two decades of experience in the same line of business and have gained thorough knowledge of the market.



- **Sustained revenues:** Through FY18 to FY20, ATIPL's revenue has grown at a CAGR of 9.07%. Despite announcement of lockdown in the month of March, 2020 AITPL has been able to maintain the revenue for FY20. During FY20, the entity achieved revenue of Rs 113.49 Crs as against Rs 113.26 Crs for FY19.

Credit Risks:

- **Below average Debt protection metrics:** Debt protection metrics deteriorated marginally in FY20. During FY20, entities reported debt protection metrics such as ISCR and DSCR of 1.28x & 1.22x as against 1.33x & 1.30x in FY19 respectively due to higher burden of interest cost.
- **Thin Profitability Margin:** During FY20, profitability margins such as operating margin and PAT margins were 4.59% and 0.74% respectively. Margins are thin due to the trading nature of the business and stiff competition.
- **Forex Risk:** AITPL is engaged in import of timber and teak logs but there is no hedging policy in place. Any adverse movement in forex rates may impact the profitability of the company.
- **Working capital intensive operations: Business** Operations of AITPL are working capital intensive in nature due to slow realisation of debtors. During FY20, receivables outstanding were of 165 Days.

Liquidity: Stretched.

Fund based and non fund based limit utilization upto Sep 2020 was around 99.43% which was high and no cushion available in the limits. As on FYE 20, the current ratio deteriorated to 1.19X which is below the benchmark level. Further, during FY-20 (Prov), the conversion cycle was 124 days which is elongated mainly due to high receivable days.

Rating Sensitivities

Positive: BWR may revise the ratings upward in the case of an improvement in utilization of limits, overall liquidity profile, substantial improvement in revenue and profitability margins.

Negative: BWR may revise the rating downward in the case of a deterioration in the liquidity profile and substantial decline in revenues and cash flows due to any operational or financial challenges.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

About the Company

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

Company's Financial Performance

| Key Parameters | Units | FY19 | FY20 |
|------------------------|--------|---------|-------------|
| Result Type | | Audited | Provisional |
| Total Operating Income | Rs.Crs | 113.49 | 113.26 |
| OPBDIT | Rs.Crs | 5.09 | 5.20 |
| PAT | Rs.Crs | 1.02 | 0.84 |
| Tangible Net Worth | Rs.Crs | 14.30 | 15.14 |
| TOL/TNW | Times | 4.58 | 5.08 |
| Current Ratio | Times | 1.22 | 1.19 |

Rating History for the last three years (Including Withdrawal and Suspended)

| S. No | Name of Instrument | Current Rating (2020) | | | 2019* | | | 2018 | | 2017 | |
|-------|--------------------|-----------------------|---------------------|----------------------------|-------------|-------|---------------|------|-------------|------|--|
| | | Tenure | Amount (Rs. Crores) | Rating | Rs. in crs. | | Rs. in crs. | | Rs. in crs. | | |
| 1 | Bank Loan Facility | FB LT | 4.00 | BWR BB-Stable (Reaffirmed) | 06.11.2019 | | -- | | | | |
| | | NFB ST | 57.00 | BWR A4 (Reaffirmed) | FB LT | 4.00 | BWR BB-Stable | | | | |
| | | | | | NFB ST | 57.00 | BWR A4 | | | | |

*Earlier BWR had assigned a long term rating of BWR B+ (stable) and short term rating of BWR A4 which was not accepted by the issuer and the same was published under non acceptance category on 22 March 2019.

Status of non-cooperation with previous CRA: NA

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 Sector**
- **Short Term Debt**

| Analytical Contacts | Investor and Media Relations |
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ANNEXURE I

Details of Bank Facilities rated by BWR

| Name of the Bank | Type of Facilities | Long Term (₹ Cr) | Short Term (₹ Cr) | Total (₹ Cr) |
|---------------------|--------------------|------------------|-------------------|--------------|
| Union Bank of India | CC | 4.00 | - | 4.00 |
| | Import LC | - | 57.00 | 57.00 |
| TOTAL | | | | 61.00 |

INR Sixty One Crores Only



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About Brickwork Ratings : Brickwork Ratings (BWR), a Securities and Exchange Board of India [SEBI] registered Credit Rating Agency and accredited by Reserve Bank of India [RBI], offers credit ratings of Bank Loan, Non- convertible / convertible / partially convertible debentures and other capital market instruments and bonds, Commercial Paper, perpetual bonds, asset-backed and mortgage-backed securities, partial guarantees and other structured / credit enhanced debt instruments, Security Receipts, Securitisation Products, Municipal Bonds, etc. BWR has rated over 11,400 medium and large corporates and financial institutions' instruments. BWR has also rated NGOs, Educational Institutions, Hospitals, Real Estate Developers, Urban Local Bodies and Municipal Corporations. BWR has Canara Bank, a leading public sector bank, as one of the promoters and strategic partners. BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

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