



Rating Rationale

Agson Global Private Limited

3 Jan 2018

Brickwork Ratings upgrades the long term rating and reaffirms the short term rating for the bank loan facilities aggregating Rs. 1262.08 Crores of Agson Global Private Limited (AGPL or ‘the Company’).

Particulars

Facility Rated	Amount (Rs. Crs)		Tenure	Rating ¹	
	Previous	Present		Previous	Present
Fund Based Term Loans*	48.91	37.08	Long Term	BWR A – (Outlook Stable)	BWR A (BWR Single A)
Cash Credit	1145.00	1145.00			(Outlook Stable) (Upgraded)
Non Fund Based Bank Guarantee	50.00	80.00	Short Term	BWR A2+	BWR A2+ (BWR A Two Plus) (Reaffirmed)
Total	Rs. 1262.08 Crores (INR One Thousand Two Hundred and Sixty Two Crores and Eight Lakhs Only.)				

¹Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

*Term loans o/s as on 13.11.2017

Long Term Rating upgraded to BWR A (Stable outlook). Short Term Rating reaffirmed at BWR A2+.

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the Company’s audited financial results upto FY17, un-audited financials for 8MFY18, projected financials for FY18, publicly available information and clarifications provided by the Company.

The ratings continue to draw strength from the promoter’s extensive experience with established track record in this industry along with company’s leading market position in the almond business, management efforts to de-risk the revenue concentration risks by entering into new ventures over the past 2-3 years, consistent improvement in its turnover and profitability levels in FY17, infusion of additional capital by promoters to maintain its gearing profile for FY17,



shifting of garment segment to its own logistics park for operational efficiencies and expected cash profit generation from its logistic park over the medium term.

The ratings, however, continue to factor in moderate interest coverage ratios despite increase in profitability levels during FY17, high working capital requirements considering majority of its turnover is from commodity based trading activity which requires it to maintain high inventory levels and company's international trade operations are exposed to high foreign exchange fluctuation risks.

Key Rating Drivers

Credit Strengths:

Experienced promoters with established track record: The Company benefits from the long term experience of the promoters in this industry. The Company had a market share of 23.09% (in volume) in almond imports from the USA during FY 2016-17, which demonstrate its ability to be one of the larger players in this sector.

De-Risk the revenue concentration risk: The management has made efforts to de-risk its revenue concentration risks through entry into menthol business, garment segment and logistics. The menthol division is the highest profitable amongst its various divisions; reporting a turnover of Rs. 552.61 Crs with operating profit & net profit margins of 9.02% & 2.74%, respectively in FY17. Garment division is a 100% export oriented unit which reported an increase of ~ 13% in its turnover during FY17. Thus, the management has been able to partially provide a natural hedge to its almond import business by improving its revenue contribution from garment and menthol exports.

Consistent improvement in its turnover and profitability levels: Turnover of the Company has increased by 11.93% from Rs. 2883.57 Crs in FY 16 to Rs. 3227.48 Crs in FY17. It has achieved a turnover of Rs. 2147.61 Crs for 8MFY18, which is in line with its projections for FY18. Further, the management also proposes to foray into packaging and retail sales of health-nuts in the next financial year which will add to its turnover.

Improvement in its occupancy level for logistics division: AGPL has developed about 4.50 lac sq. ft of warehousing space during FY15 out of which 2.25 Lacs sq. ft. has already been leased on long term lease basis to Amazon Seller Services Pvt. Ltd. since January 2016 and another 1.25 lac sq. ft. to Amazon Transportation Services Pvt. Ltd in 2017. Advanced negotiations for leasing the remaining 1 lac sq. ft. is underway with other retail chains and multi-national companies. It has reported a cash loss of ~ Rs. 3.00 Crs and expected to convert into cash profit of ~ Rs. 7.00 Crs in the current financial considering improvement in its occupancy levels.

Credit Weaknesses



Moderate Interest coverage ratios: Interest coverage ratios remains at below average i.e. 1.97 times in FY17 owing to increase in its working capital requirements for its almond business which resulted increasing interest & financial charges. Further, interest coverage indicators are likely to remain moderate, given the weak margins and the high financial costs.

Working capital intensive nature of operations: Its operations continue to remain working capital intensive owing to commodity nature of business, as it imports and maintains significant quantity of inventory in order to cater its domestic market throughout the year. This leads to increase in its working capital requirements and resulted increase in interest cost & financial charges. The ability of the company to pass on the high interest cost to its customers would be the key rating sensitivity.

Business operations susceptible to adverse movement in foreign exchange rates: AGPL's exposure to foreign currency has remained high considering large imports of almonds every year. However, since the company's imports to the tune of 50% are backed by exports, the Company enjoys a natural hedge to that extent. Additionally, the Company also hedges its foreign currency exposures through forwards contracts.

Analytical Approach

BWR has applied its rating methodology on a standalone basis, as detailed in the Rating Criteria (hyperlinks provided at the end of this rationale).

Rating Outlook: Stable

BWR believes **Agson Global Private Limited's** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the company maintain its growth in turnover, improve its profitability margins and interest coverage ratios significantly and manages its working capital efficiently over the medium term. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

AGPL was initially incorporated as Shree Global Impex P Ltd in May 1997 by Mr. Apresh Garg. It was renamed as Agson Global Pvt Ltd (AGPL) in 2008. AGPL is engaged into four major business activities i.e. almond imports, garment exports, menthol crystal manufacturing & Logistics Park. Almond is its major segment and contributes 70% of total operating revenue achieved during FY17. Menthol division manufactures menthol crystal, and its various derivatives, with a total capacity of 10,000 MTPA. Ready-made Garments division is a 100% export oriented unit which contributes ~ 13% of the total operating revenue. Logistics division is located in Sonapat (Delhi – Chandigarh Highway), having total construct area of 55, 627 sq. mtrs.



Company Financial Performance

The Company has reported a total operating income of Rs. 3227.48 Crs in FY17 as against Rs. 2883.57 Crs in FY16. It has reported a net profit of Rs. 43.78 Crs during FY17 as against Rs. 23.47 Crs during FY16. As on 31st March 2017, it has reported a tangible net worth of Rs. 513.05 Crs against Rs. 420.03 Crs as on 31st March 2016

Key financial indicators are summarized below.

Particulars	FY16 (A)	FY17 (A)
Total Operating Income (Rs. Crs)	2883.57	3227.48
EBITDA (Rs. Crs)	116.54	178.20
PAT (Rs. Crs)	23.47	43.78
Total Tangible Networth (Rs. Crs)	420.03	513.05
Gearing (TOL/TNW) Ratio (times)	2.23	2.11
ISCR (times)	1.95	1.97

Rating History for the last three years (including withdrawn/suspended ratings)

Sl. No.	Facility	Current Rating (FY2018)			Rating History		
		Type	Amount (Rs Crs)	Rating	FY2017	FY2016	FY2015*
1	Fund Based Cash Credit Term Loans	Long Term	1145.00 37.08	BWR A (Stable) (Upgrade)	BWR A – (Stable)	N.A.	N.A.
2	Non Fund Based Bank Guarantee	Short Term	80.00	BWR A2+ (Reaffirmed)	BWR A2+	N.A.	N.A.
Total			1262.08	INR One Thousand Two Hundred and Sixty Two Crores and Eight Lakhs Only.			

*FY refers to the period from 1st April to 31st March

Hyperlink/Reference to applicable Criteria

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



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