

RATING RATIONALE

26 March 2021

Agson Global Private Limited

Brickwork Ratings downgrades the long- and short-term ratings for the Bank Loan Facilities of Rs. 1694 Crs of Agson Global Private Limited and simultaneously withdraws the same, at the request of Agson Global Private Limited, in accordance with BWR's policy on the withdrawal of ratings

Particulars:

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (March 2020)	Present
Fund based Working Capital Term Loans	1465.00 79.00	1465.00 79.00	Long Term	BWR BBB/Negative	BWR BB+ (Downgrade) Withdrawn
Non-Fund Based LC	150.00	150.00	Short Term	BWR A3	BWR A4+ (Downgrade) Withdrawn
Total	1694.00	1694.00	Rupees One Thousand and Six Hundred and Ninety Four Crores Only		

*Please refer to BWR website www.brickworkratings.com/ for the definition of the ratings.
Details of bank loan facilities are given in Annexure I.

RATING ACTION

The downgrade in the ratings of Agson Global Private Limited (AGPL or the company) factors in its stretched liquidity position, evident from the full utilisation of its working capital limits with lenders throughout the year, while it has sought repeated enhancements in these limits besides availing term loans under the lease rent discounting (LRD) scheme. It is believed that the company is again seeking enhancement in its working capital limits with the lenders, and this may result in further deterioration in its gearing profile and other credit metrics over the medium term. Further, it is believed that the company has also availed GCEL 2.0 (Guaranteed Emergency Credit Line) loans from lenders for meeting its immediate liquidity needs during the current financial year. Brickwork Ratings (BWR) believes that the company's financial flexibility is likely to remain constrained owing to negligible cushion available from its working capital limits with low encumbered cash and cash equivalent as estimated for FY21.

The ratings, however, derive comfort from the experienced promoters with the company's established market position in the almond imports and manufacturing of menthol. The company has installed automatic sortex machines for the almond division and undertaken backward integration for menthol division, to improve its operational efficiencies in FY21.



DESCRIPTION OF KEY RATING DRIVERS

Credit Risks:

Modest gearing profile of the Company: Gearing ratio deteriorated to 2.10x in FY20 on account of additional working capital limits availed. It had also availed LRD loan of Rs. 79 Cr which impacted its gearing profile in FY20. AGPL is also proposing further enhancement in its working capital limits which is likely to impact its gearing profile and credit metrics adversely over the medium term.

Working capital intensive nature of operations: The company's operations continue to remain working capital intensive owing to high inventory holdings reported each year. Cash conversion cycle of the company stood at 198 days (P.Y. 185 days) in FY20. However, the management has advised that the majority of its operating revenues are contributed from almond sales; and almond stocks usually get sold with a time lag of 6-7 months from the date of arrival of shipments. Receivables days remain low at 6 days as it usually makes cash sales to wholesale traders.

Modest Interest Coverage Ratios: Despite increasing its scale of operations, the company's interest coverage ratio (ISCR) remains at modest levels on account of year-on-year increase in interest cost and financial charges. Majority of its revenue is generated from the low-margin business viz. almond sales which has a limited scope of value addition and requires high working capital. Further, its ISCR is expected to remain under pressure on account of the proposed enhancement in its working capital limits.

Credit Strengths:

Experienced promoters: AGPL is promoted by Mr. Apresh Garg, Managing Director, who is a first generation entrepreneur, having experience of over 16 years in this business. The company claims that it is one of the larger players in the almond trade in the country.

Management strategies to improve its operational efficiencies: The management initiated various steps to improve the company's operational efficiency levels by installing a fully automatic almond processing unit with a shelling capacity of 100 MT/day. For its menthol division, it has undertaken backward integration to manufacture DL Menthol (a basic raw material from m-cresol & thymol), as submitted by the management during the last rating review

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

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).

LIQUIDITY : STRETCHED

AGPL's liquidity profile remains stretched on account of working capital intensive nature of operations. Majority of the funds are blocked in high inventory holdings with low inventory-turnover ratio reported each year. Its stretched liquidity position is also reflected by the fact that it has a lower cushion on undrawn working capital limits with low cash in hand balance as estimated for FY21. Further, there were frequent instances of its working capital limits being



fully drawn, as confirmed by the majority of its lenders. During FY21, the company availed GCEL 2.0 loans for meeting its immediate liquidity needs. However, its debt coverage metrics remain adequate as it has mainly availed the LRD loans against its rental receipts from warehouses, which is generating adequate cash flows for servicing the said loans.

RATING SENSITIVITIES: Not Applicable

COMPANY PROFILE:

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 three major business activities viz.. Almond Division, Menthol Division & Logistics Park. Almond is one of its major segments which contributes above 70% of total sales generated each year. The management claims that it is one of the larger players for importing almonds into India. Menthol division manufactures crystalline menthol, and its various derivatives with a total capacity of 10,000 MTPA. Logistics division is located at Kundli Industrial Area (Delhi – Chandigarh Highway), having a total construct area of 55627 sq. mtrs. AGPL closed its garment division during FY18, as it was not able to achieve justified IRR; generating low margins with low value addition. AGPL surrendered its cash credit limit of Rs. 250 Cr with no receivables pending till date.

FINANCIAL PERFORMANCE:

Key Parameters	Units	2019 (A)	2020 (A)
Operating Revenue	Rs. crs	3333.37	3540.20
EBITDA	Rs. crs	213.00	176.23
PAT	Rs. crs	45.62	50.20
Tangible Net worth	Rs. crs	605.64	655.84
Total Debt/Tangible Net worth	Times	1.96	2.10
ISCR	Times	1.61	1.72

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

S N o	Current Rating (2021)	Chronology of Rating History for the past 3 years (Rating Assigned and Press Release date) along with outlook/ Watch, if applicable											
		Bank Loan Facilities											
1					24 Mar 2020			04 Oct 2019			24 Dec 2018		
		Facilities	Amt. (Rs. Crs)	Rating	Facilities	Amt. (Rs. Crs)	Rating	Facilities	Amt. (Rs. Crs)	Rating	Facilities	Amt. (Rs. Crs)	Rating
		FB	1544.00	BWR BB+ withdrawn	FB	1544.00	BWR BBB/Negative	FB	1335.51	BWR A-/Negative	FB	1341.85	BWRA/ Stable
		NFB	150.00	BWR A4+ withdrawn	NFB	150.00	BWR A3	NFB	80.00	BWR A2	NFB	80.00	BWR A2+
		Total	1694.00		Total	1694.00		Total	1415.51		Total	1421.85	
								20 June 2019					
								Facilities	Amt. (Rs. Crs)	Rating			
								FB	1341.85	BWR A-/ Rating watch with Developing Implication			
								NFB	80.00	BWR A2 Rating watch with Developing Implication			
								Total	1421.85				

Status of non-cooperation with previous CRA- Not Applicable

Any other information: Nil

ANNEXURE I
Details of Bank Facilities rated by BWR

S. No.	Type of Facilities*	Long term (Rs. Crs)	Short Term (Rs. Crs)	Amt. Rated (Rs. Cr)
1.	Fund Based Cash Credit 1 Term Loan LC/BG	480.00 79.00 -	- - 50.00	609.00
2.	Cash Credit 2	158.86	-	158.86
3.	Cash Credit 3	110.04	-	110.04
4.	Cash Credit 4	40.00	-	40.00
5.	Cash Credit 5	80.00	-	80.00
6.	Cash Credit 6	27.00	-	27.00
7	Cash Credit 7	35.00	-	35.00
8	Cash Credit 8 LC/ BG	65.00 -	- 6.00	71.00
9	Cash Credit 9	76.50	-	76.50
10	Cash Credit 10	50.00	-	50.00
11	Cash Credit 11	15.00	-	15.00
12	Cash Credit 12	75.00	-	75.00
13	Cash Credit 13 BG/LC	83.00 -	- 10.00	93.00
14	Cash Credit 14 BG/LC	19.60 -	- 14.00	33.60
	Proposed Limits	150.00	70.00	220.00
	Total (Rs. Crs)	1544.00	150.00	1694.00

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](#)
- [Short Term Debt](#)
- [Manufacturing Companies](#)
- [Trading Activities](#)

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