



Rating Rationale

Agson Global Private Limited

24 December 2018

Brickwork Ratings reaffirms the ratings for the bank loan facilities of Agson Global Private Limited ('AGPL' or 'the Company').

Particulars

Facility Rated	Amount (Rs. Crs)		Tenure	Rating *	
	Previous	Present		Previous	Present
Fund Based Term Loans	37.08	26.85	Long Term	BWR A (Pronounced as BWR Single A) (Outlook Stable)	BWR A (Pronounced as BWR Single A) (Outlook Stable) (Reaffirmed)
Cash Credit	1145.00	1315.00			
Non Fund Based BG/LC	80.00	80.00	Short Term	BWR A2+ (Pronounced as BWR A Two Plus)	BWR A2+ (Pronounced as BWR A Two Plus) (Reaffirmed)
Total	1262.08	Rs. 1421.85 Crores (Rupees Fourteen Hundred & Twenty One Crores and Eighty Five Lakhs Only)			

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

Long Term and Short term ratings reaffirmed at BWR A (Stable outlook)/ BWR A2+.

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the Company's audited financial results upto FY18, projected financials up to FY20, publicly available information and clarifications provided by the Company.

The ratings continue to factor in the promoter's extensive business experience, with established track record in the industry along with the Company's market position as a leading importer of almonds, management efforts to de-risk the revenue concentration risks by increasing its revenue share from Menthol and Logistics divisions, consistent improvement in turnover & profitability margins despite closure of its Garment division, besides introduction of new source for raw



material for the Menthol division coupled with capex planned over the medium term. BWR also takes note of reporting cash profits from its Logistic division from FY17 onwards.

The ratings are, however, constrained by moderate profitability margins as major revenues are generated from low value added products viz. Almond division and working capital intensive nature of operations which has resulted in moderate coverage ratios in FY18. BWR also takes note of its incremental working capital requirements owing to withdrawal of LOU's/Buyer's credit limits and implementation of GST which resulted increasing tax rates during FY18.

Liquidity position of the Company: Liquidity profile remains below average as reflected in the peak utilization of its working capital limits, averaging 98-100% of available sanctions throughout the year. There were instances of working capital limits being fully utilised. The Company's cash flows were negatively impacted due to sudden withdrawal of LOU/Buyers credit limits and implementation of GST as it needed to pay higher tax of 12% (increased from 7%) on imports. The Company also needs to pay for its imports upfront on arrival of the goods, vis-a-vis elongated working capital cycle of 165 days in FY18, which resulted total additional outflow of Rs. 200 Cr in the past 8-9 months. Thus, the Company has proposed for enhancement in bank limits in order to meet its incremental working capital requirements. Going forward, adequate and timely enhancement in working capital limits from consortium lenders remain crucial.

Key Rating Drivers

Credit Strengths

Experienced promoters with established track record: 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 had a market share of more than 20% (in terms of volume) in almond imports from USA during FY18, which demonstrates its ability to be one of larger player in the almond business.

De-risk its revenue profile: The management made efforts to de-risk its revenue concentration risk by increasing turnover share from its Menthol division. Revenue from the Menthol division increased marginally to 19% of the Company's total revenues, but is expected to increase significantly in the current financial year. The Company has also planned to lease out its remaining warehouses which will further add up to its operating revenues in the current financial year. However, the Company took a strategic decision to shut its Garment division during 2018 as it was unable to achieve justified IRR from its operations; thus generating low margins with no value addition. As confirmed by the management and lenders, no receivables is pending from this division as on date.

Introduction of new technology for its Menthol division: AGPL has entered into a long-term agreement with BASF, Germany, for supply of raw material for its Menthol division which is



likely to reduce its dependence on mentha oil, an agro-based product. The Company believes that the new arrangement is likely to improve its net contribution from this division.

Capex programs for FY19: AGPL has acquired an Industrial unit on lease for undertaking expansions in its Almond and Menthol divisions. The Company proposes to enhance the capacity of its Menthol division by 8000 MTPA in FY19 for which it has already incurred capex.

Credit Weaknesses

Moderate profitability margins of the Company: AGPL continues to report below average profitability margins as majority of its revenues are from the low value added business viz. almond imports. Net profit margins of the Company stood at 1.43% (P.Y. 1.36%) in FY18.

Moderate interest coverage ratios: Interest coverage ratios (ISCR) continues to remain low viz. 1.8x (P.Y. 1.9x) in FY18 considering increasing working capital limits coupled with moderate profitability margins reported. ISCR is expected to remain low, given weak margins and increasing import taxes and finance costs.

Working capital intensive nature of operations: AGPL's operations continues to remain working capital intensive owing to commodity nature of business, as it needs to import its requirement in the 3rd quarter of the financial year and maintain significant inventory in order to cater its domestic market throughout the year. Further, due to closure of LOU/Buyers Credit facility and increasing import taxes, AGPL faced additional outflow of Rs. 200 Cr which resulted in full utilization of its existing working capital limits. Thus, it has proposed for additional limits in the current financial year. Additional working capital limits with stagnant growth in profitability margins is likely to put further pressure on its liquidity profile.

Analytical Approach

BWR has considered the standalone business and financial risk profile of the Company, as detailed in the Rating Criteria (hyperlinks provided at the end of this rationale).

Rating Outlook: Stable

BWR believes that AGPL'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 turnover growth, increase its profitability margins despite facing pricing pressure, improve its leverage indicators from current levels. The rating outlook may be revised to 'Negative' if there is a decline in its financial risk profile with decline in sales and profitability over the medium term.

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 three major business activities i.e. Almond Division, Menthol Division & Logistics Park. Almond is



one of its major segment which contributes 73% of total revenues achieved in FY18. Menthol Division manufactures crystalline menthol, & its various derivatives with a total capacity of 10,000 MTPA. Logistics division is located at Kundli Industrial Area (Delhi – Chandigarh Highway), having total construct area of 55627 sq. mtrs.

AGPL took strategic decision to close garment division in 2018, as it has not able to achieve justified internal rate of return; generating low margins with low value addition.

Company Financial Performance

Agson Global Private Limited (AGPL) has reported a total operating income of Rs. 3294.81 Cr in FY18 as against Rs. 3227.48 Cr in FY17. It has reported a net profit of Rs. 46.96 Cr during FY18 as against Rs. 43.78 Cr during FY17. As on 31st March 2018, it has reported a tangible net worth of Rs. 560.02 Cr against Rs. 513.05 Cr as on 31st March 2017.

Key financial indicators are summarized in Annexure I below.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

Facility	Current Rating (Year 2018)			Rating History		
	Type	Amount (Rs. Crs)	Rating	03 Jan 2018	08 Nov 2016	2015
Fund Based Term Loans Cash Credit	Long Term	26.85 1315.00	BWR A (Stable) (Reaffirmation)	BWR A (Stable) (Upgrade)	BWR A- (Stable)	N.A.
Non Fund Based BG/LC	Short Term	80.00	BWR A2+ (Reaffirmation)	BWR A2+ (Reaffirmed)	BWR A2+	N.A.
Total		1421.85	INR Fourteen Hundred & Twenty One Crores & Eighty Five Lakhs Only)			

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)

For any other criteria obtain hyperlinks from website



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Annexure I – Key Financial Indicators of Agson Global Private Limited

Particulars	FY17 (A)	FY18 (A)
Total Operating Income (Rs. Crs)	3227.48	3294.81
EBITDA (Rs. Crs)	178.20	192.22
PAT (Rs. Crs)	43.78	46.96
Total Tangible Net worth (Rs. Crs)	513.05	560.02
Total Debt to Equity Ratio (times)	1.87	2.11
ISCR (times)	1.97	1.80

For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf. Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

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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