

Rating Rationale

T.C. Agro Food Industries

30 October, 2017

Brickwork Ratings assigns long term rating for the bank loan facilities of T.C. Agro Food Industries.

Particulars

Facility Rated	Amount (Rs Crs)	Tenure	Rating*
Fund Based			
Cash Credit	45.00	Long Term	BWR BB+ (Pronounced as BWR Double B Plus) Outlook-Stable
Total	45.00	(INR Forty Five Crores Only)	

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

Note: The firm has also availed additional bank loan facilities against warehouse receipts (WHR) from another lender, which have not been rated by us.

BWR has assigned long term rating of BB+ (Outlook: Stable) for the long term bank loan facilities of T.C. Agro Food Industries

Rationale/Description of Key Rating Drivers/ Rating sensitivities:

In assigning the rating of T.C. Agro Food Industries (TCAFI or 'the firm'), which are manufacturers and exporters of basmati and non-basmati rice based at Nissing, Karnal, BWR has considered the long and established track record of operations of the firm, long standing experience of the partners and its comfortable liquidity position. The ratings are, however, constrained by working capital intensive nature of the business operations marked by high receivable days exceeding 120 days in FY17 (unaudited), average financial risk profile of the firm with weak net profit margin of 0.31% in FY17 (unaudited) and low debt coverage indicators with interest service coverage ratio of 1.23x in FY17(unaudited), presence in a highly fragmented & competitive industry with limited product differentiation, partnership constitution of the firm besides risks related to fluctuating prices of commodities which are sensitive to the vagaries of nature.

Key Rating Determinants

Credit Strengths

- Long and established track record of operations with experienced partners.

- b) Growing top line, with increase in total operating income from Rs. 194.95 Cr in FY15 to Rs. 249.87 Cr in FY17 (unaudited).
- c) Comfortable liquidity position with current ratio of 1.54 in FY17 (unaudited). However, there has been a continuous decline in the current ratio of the firm over the past years from 1.78 in FY15 to 1.65 in FY16.

Credit Weaknesses

- a) Average financial risk profile of the firm marked by weak interest and debt coverage indicator reflected by ISCR of 1.23x and DSCR of 0.71x in FY16 (adjusted DSCR 0.92x in FY16 after assuming 50% of promoters debt as quasi equity), owing to high dependence on long term borrowing from promoters to meet funding requirements.
- b) Weak profitability margins with operating profit margin of 2.51% in FY16 and net profit margin at 0.34% in FY16 and 0.31% in FY17 (unaudited). These margins have remained flat over the past 4 years.
- c) Current Assets of the firm have increased from Rs. 59.90 Cr in FY15 to Rs. 126.33 Cr in FY16 to Rs. 139.14 Cr in FY17 (unaudited) which is largely contributed by increase in receivable days from 35 days in FY15 to 72 days in FY16 to 129 days in FY17 (unaudited), indicating difficulties being faced by the firm in realization of sales proceeds.
- d) High gearing (adjusted D/E ratio) which has increased from 3.02x in FY16 to 3.24x in FY17 (unaudited). BWR has treated 50% of the non-interest bearing unsecured loan of Rs.34.70 Crs in FY17 (unaudited) from partners and related parties as quasi equity and remaining 50% as debt, to arrive at the adjusted debt equity ratio, as these loans are subordinated to bank borrowings and are expected to be maintained in the business over the medium term.

Going forward, the ability of the company to increase its scale of operations significantly, improve equity base and reduce its dependence on borrowed funding, improve its profitability margins and reduce its high receivables shall be the key rating sensitivities.

Rating Outlook: Stable

BWR believes the T.C. Agro Food Industries' 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 increases its scale of operations significantly along with improving its profitability margins. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

Analytical Approach:

BWR has factored into standalone business and financial risk profile of the Company to arrive at the rating. Reference may be made to the Rating Criteria hyperlinked below.

About the Company

T.C. Agro Food Industries is a partnership firm based at Nissing, district Karnal, Haryana. It is engaged in milling and sorting basmati and non-basmati rice for the domestic markets and exports. Day-to-day operations are managed by Mr. Munish Kumar (holding 10% stake) and Shri Ram Gopal Ji (holding 90% stake). In FY17, the firm operated at 69% of its installed capacity utilization.

Company Financial Performance

Key Financial Parameters	FY17 (unaudited)	FY16 ABS
Revenue from operations	Rs. 249.87 Cr	Rs. 219.18 Cr
EBIDTA	Rs. 6.81 Cr	Rs. 5.51 Cr
PAT	Rs. 0.77 Cr	Rs. 0.74 Cr
Adjusted Tangible Net worth	Rs. 21.83 Cr	Rs. 23.11 Cr
Adjusted D/E (TOL/TNW ratio)	3.24 times	3.02 times
Current Ratio	1.54 times	1.65 times

The revenue from operations has increased by ~14% in FY17 (unaudited) as against FY16 mainly on account of increase in the business activity. PAT margins have remained stagnant at ~0.30%. The adjusted tangible net worth of the firm stood at Rs. 21.83 Crs as on 31-3-2017.

Rating History for the last three years:

Sl. No.	Instrument/Facility	Current Rating (Year 2017)			Rating History		
		Type (Long Term /Short Term)	Amount (Rs Crs)	Rating	2016	2015	2014
1	Cash Credit	Long Term	45.00	BWR BB+ with Stable Outlook	NA	NA	NA
Total			45.00	(INR Forty Five Crores Only)			

NA: Not Available

Status of non-cooperation with previous CRA (if applicable): Reason and comments: Not Applicable

Any other information: NIL

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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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, has also been 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 Nationalized 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, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9, 30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

DISCLAIMER

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