RATING RATIONALE

25 Aug 2020

TLG Agro Traders Pvt. Ltd.

Brickwork Ratings upgrades the Long Term Rating & reaffirms the Short Term Rating for the Bank Loan Facilities of ₹ 30.00 Crores of TLG Agro Traders Pvt. Ltd. "the company"

Particulars:

Facility**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (June, 2019)	Present
Fund Based	17.25	30.00	Long Term	BWR BB- Stable (Upgrade)	BWR BB Stable (Upgrade)
Non Fund Based	(11.25)	(23.00)	Short Term	BWR A4 (Reaffirmed)	BWR A4 (Reaffirm)
Total	17.25	30.00	INR Thirty Crores Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
** Details of Bank facilities is provided in Annexure-I

RATING ACTION / OUTLOOK

BWR upgrades the Long Term Rating assigned as BWR BB with Stable Outlook and reaffirms the Short Term Rating as BWR A4 to TLG Agro Traders Pvt. Ltd.

The rating draws strength from the rich experience of the management of the company in the Agro Industry and moderate financial risk profile. The rating of the firm is constrained by high debt equity ratio, elongated conversion cycle and competition in the Industry.

BWR believes that the business risk profile of "TLG Agro Traders Pvt. Ltd." 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 there is significant improvement in revenues and profit margins of the company. The rating outlook may be revised to "Negative" if there is any deterioration in the financial risk profile of the company including the debt equity ratio.

KEY RATING DRIVERS

Credit Strengths:

- **Experience of the management:** The directors of the company Mr. Janesh Garg, Ms. Meenakshi and Mr. Ripin Goyal have 2-5 Decades of Experience in the Agro Industry and the company has long term business associations with its clients, both suppliers and customers.

- **Moderate Financial Risk Profile:** The revenues of the company have improved from INR 83.39 Crores in FY18 (Audited) to INR 104.01 Crores in FY19 (Audited) and similarly improved to INR 184.51 Crores in FY20 (Provisionals). The corresponding profits have improved from INR 0.51 Crores in FY18 (Audited) to INR 0.97 Crores in FY19 (Audited) and similarly improved to INR 2.11 Crores (Provisionals).

Credit risks:

- **High debt equity ratio and Elongated Conversion Cycle:** The debt equity ratio is as high as 7.92x in FY19 (Audited) which deteriorated from 6.42x in FY18. [Analysed debt equity ratio also deteriorated from 1.25x in FY18 to 2.77x in FY19 (Audited)]. The company has an elongated conversion cycle of 287 days in FY19 (Audited) which deteriorated from 230 days in FY18 (Audited)

- **Competition in the Industry:** Entry barriers in the industry are low on account of limited capital and technology requirements. The competition in the aggregates industry is high as there large no. of players in the industry including established and unorganised players due to which there is lesser price fixation flexibility.

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).

RATING SENSITIVITIES

Going forward, the ability of the Firm to improve its financial risk profile would remain the key rating sensitivities.

Positive: Rating may be upgraded in case of substantial improvement in revenues and profit margins of the company.
Negative: Rating may be downgraded in case there is deterioration in financial risk profile including the debt equity ratio and conversion cycle of the company.

LIQUIDITY POSITION (Stretched)

The company has Cash & Bank balances of Rs. 0.75 Crs in FY19. Long Term Borrowings of INR 25.21 Crores in FY19 includes unsecured loans from promoters/directors of INR 3.16 Crores and Car loan from Yes Bank of INR 0.20 Crores and InterCorporate Borrowings of INR 21.85 Crores. Cash flow statement not submitted. Average CC utilization of the Last 6 Months comes out to be ~53.61% and EPC facility is utilised upto 99.93% in the last six months. The current ratio is 1.37x in FY19. ISCR and DSCR are at 1.62x and 0.67x respectively in FY19. Conversion Cycle is of 287 days in FY19.

Holding/Subsidiary Company: NA

COMPANY PROFILE

TLG Agro Traders Pvt. Ltd. was founded in 2008 by the Dharamkot (Punjab)-based Mr. Goyal and family. The company is a trading concern for paddy and wheat. It also involves commissioning work of basmati and non-basmati rice. The company is involved in exports of their products to various other countries such as New Zealand and Dubai. Mr. Sudhir Kumar, Mr. Devender Kumar, Ms. Meenakshi Goyal and Mr. Anush Goyal are the promoters of the company, all of them having extensive experience ranging from 2-5 decades of experience in the Agro Industry. The company has approximately 200 employees under its umbrella.

KEY FINANCIAL INDICATORS (in ₹ Cr)

Key Parameters	Units	FY19	FY18
Result Type		**Audited**	**Audited**
Total Operating Income	Crores	104.01	83.39
EBITDA	Crores	4.93	4.39
PAT	Crores	0.97	0.51
Tangible Networth	Crores	10.33	9.36
Total Debt/TNW	Times	7.92	6.42
Current Ratio	Times	1.37	1.87

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: None

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY: None

RATING HISTORY (FOR THE LAST THREE YEARS INCLUDING WITHDRAWALS AND SUSPENDED)

Instrument / Facilities	Current Rating (2020)			Rating History		
	Tenure (Long Term/ Short Term)	Amount (₹ Cr)	Rating	2019	2018	2017
Fund Based	Long Term	30.00	BWR BB Stable (Upgrade)	BWR BB- Stable (Upgraded)	BWR B+ Stable (Assigned)	--
Non Fund Based	Short Term	(23.00)	BWR A4 (Reaffirm)	BWR A4 (Reaffirm)	BWR A4 (Assigned)	
Total	30.00		INR Thirty Crores Only			

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

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TLG Agro Traders Pvt. Ltd.

ANNEXURE I

Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
1.	Punjab National Bank	Fund Based & Non Fund Based	30.00	(23.00)	30.00
TOTAL					30.00

Total Rupees Thirty Crores only.

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