



Rating Rationale

Taneja Overseas

13Jun2019

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹. 8.60 Crores of Taneja Overseas (TO or The Firm).

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Mar, 2017)	Present
Fund based					
Cash Credit	7.00	7.00	Long Term	BWR B+ (Pronounced as BWR Single B plus) Outlook: Stable	BWR B+ (Pronounced as BWR Single B plus) Outlook: Stable (Reaffirmed)
Packing Credit	2.00	1.60			
Total	9.00	8.60	INR Eight Crores and Sixty Lakhs Only		

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

Ratings: Reaffirmed

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financial results up to FY18, FY19 provisional financials and clarifications provided by the Firm’s management.

The rating reaffirmation takes into consideration of Partners experience, established relationship with customers and suppliers, moderate liquidity position and moderate interest coverage indicator. However, the rating is constrained by small scale of operations, low net worth, high gearing profile, reduced profit margins, inherent risk of firm being partnership concern and intense competition from other organised and unorganised players in the sector.



Going forward, the ability of the Firm to enhance growth in operations with further increase revenues, improve profit margins, manage its working capital efficiently and improve its overall financial risk profile would be the key rating sensitivities.

Description of Key Rating Drivers

Credit Strengths:

- **Partners Experience** : Mr. Avatar Singh and Mr. Jaideep Singh are the partners of the firm having business experience for more than three decades in the same line of business.
- **Relationship with customers and suppliers**: Established relationship with customers and suppliers is more than a decade.
- **Moderate liquidity and moderate interest coverage indicator** : Moderate liquidity position as current ratio of the firm stood at 1.20 times in FY18 and Moderate interest coverage indicators as stood at 1.22 times in FY18.

Credit Risks:

- **Weak Financial profile** : Weak financial profile marked by small scale of operations as revenues are stagnant from 23.77 Crs in FY17 to Rs. 23.95 Crs in FY18 however as per FY19 provisionals revenue reported Rs. 26.32 Crs. Reduced operating profit margin from 5.77% in FY18 to 4.32% in FY17, high gearing profile as debt to equity stood at 3.06 times in FY18 and net worth stood at Rs. 2.97 Crs in FY18.
- **Highly fragmented, climatic risks and inherent risk** : The Indian rice industry is fragmented, with low entry barriers due to limited capital and technology intensity, leading to a highly competitive market, Climatic risks as Paddy is a seasonal, and Inherent risk of firm being partnership concern

Analytical Approach

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 Outlook: *Stable*

BWR believes the **Taneja Overseas** 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 revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.



About the Firm

Taneja Overseas is a partnership firm established in the year 2004. The firm is managed by the partners Mr. Avatar Singh who is the Managing Partner of the firm and Mr. Jaideep Singh is involved in the management of day-to-day operations of the firm. The firm is engaged in manufacturing and trading of basmati and non-basmati rice with a capacity of 15,000 MT per year. Major raw material paddy, is procured from mandi auctions (around 90%) and rest from the farmers. The 70% of manufactured basmati and non-basmati rice are exported to Dubai, Mauritius, Aman and rest 30% are sold in the local market. The firm has about 46 employees working, 16 permanent 30 are on contract basis.

The firm has started selling 1121 Basmati rice in their own brand named Unique Basmati from last year with packaging of 25 Kg and 10 Kg in domestic markets like Mumbai, Chennai, Hyderabad and Amritsar. Future Plans: The is planning to install packing unit with complete set of sorting, grading with the consumer packs like 1 Kg, 2 Kg & 5 Kg packets to promote its sales in the domestic market as well as in overseas markets, for which the firm is planning to increase its milling capacity with 1 MT/hour.

Firm Financial Performance

As per FY18 audited financials, The Firm has reported revenue Rs. 23.95 Crores in FY18 PAT was reported at Rs.0.10 Crs in FY18. As per FY19 Provisional financials the revenues reported Rs. 26.32 Crs and PAT of Rs. 0.04 Crs.

Rating History for the last three years

S.No	Facility	Current Rating			Rating History		
		Type	Amount (₹ Crs)	Rating	7.8.2018	20.3.2017	2016
	Fund Based	Long Term	8.60	BWR B+ (Pronounced as BWR Single B plus) Outlook: Stable (Reaffirmed)	Rating Not Reviewed	BWR B+ (Pronounced as BWR Single B plus) Outlook: Stable	Not Rated
	Total		8.60	₹ Eight Crores and Sixty Lakhs Only			

Status of non-cooperation with previous CRA: Nil

Any other information: Nil



Key Financial Indicators

Key Parameters	Units	2016	2017	2018	2019
Result Type		Audited	Audited	Audited	Provisionals
Operating Revenue	Rs. In Crs	20.37	23.77	23.95	26.32
EBITDA	Rs. In Crs	1.49	1.37	1.03	0.83
PAT	Rs. In Crs	0.07	0.07	0.10	0.04
Tangible Net worth	Rs. In Crs	2.68	2.56	2.97	3.05
Total Debt/Tangible Net worth	Times	4.05	3.69	3.06	2.43
Current Ratio	Times	1.29	1.29	1.20	1.34

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Infrastructure Sector](#)
- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website

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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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