



## Rating Rationale

Tricom Agro Private Limited

22May2019

**Brickwork Ratings revises the ratings for the Bank Loan Facilities of ₹. 11.31 Crores of Tricom Agro Private Limited. (TAPL or The Company).**

### Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (May, 2018)	Present
Fund based Cash Credit Term Loan	9.00 0.08	9.50 1.81*	Long Term	BWR BB- (Pronounced as BWR Double B minus) Outlook: Stable	BWR BB (Pronounced as BWR Double B) Outlook: Stable (Upgraded)
<b>Total</b>	<b>9.08</b>	<b>11.31</b>	<b>INR Eleven Crores and Thirty One Lakhs Only</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings Note:\* Term Loan includes new sanction and outstanding as 16.5.2019.

**Ratings: Upgraded**

### Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financial results of FY18, and along with publicly available information, information/clarifications provided by the Company's management.

The upgradation of the ratings factored the overall growth in the financial parametres during the financial year 2018-2019. It has also factored the experience of the promoters & their established relationship with customers and suppliers, increased revenues, moderate gearing, satisfactory liquidity position and satisfactory coverage indicators. The ratings, however continue to be constrained by the low net worth, reduce profit margins, geographical concentration, agro climatic risks, exposure to any adverse regulatory changes and working capital intensive nature of operations.

Going forward, the ability of the company to further increase its scale of operations along with



profitability margins, timely repayment of debt obligations, manage working capital efficiently and improve its overall financial risk profile would be the key rating sensitivities.

### Description of Key Rating Drivers

#### Credit Strengths:

- **Promoters Experience and relationship with customers & suppliers** - Experience of promoters is more three decades and relationship with customers and suppliers is more than two decades.
- **Increased revenues** - Revenues increased from Rs. 52.40 Crs in FY17 to Rs. 110.02 Crs in FY18.
- **Satisfactory liquidity position and Moderate gearing profile** - Satisfactory liquidity position as current ratio stood at 1.23 times in FY18 however the working facility utilization is more than 90% in FY18, Moderate gearing profile as debt to equity stood at 1.53 times in FY18.
- **Satisfactory Coverage Indicators**- Interest coverage and debt coverage ratio stood at 2.10 times and 1.58 times in FY18.

#### Credit Risks:

- **Low net worth and Reduced profit margins**- Low net worth reported at Rs. 7.64 Crs in FY18 and Net profit and operating profit margins reduced from 1.51% and 3.73% in FY17 to 0.82% and 2.08% in FY18.
- **Geographical Concentration and Agro Climatic Risk** - Geographical concentration in the revenue profile and exposed to vagaries of monsoon and other agricultural risks.
- **Intense competition in the fertilizer industry along with exposure to any adverse regulatory changes**- The company faces intense competition in the domestic market due to pricing pressure, increasing regulation, increased sensitivities towards product performance which are key issues in fertilizer industry.

### 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 **Tricom Agro Private Limited** 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 Company

Tricom Agro Pvt Ltd is a private limited company, incorporated in the year 1995 and is an ISO : 9001 : 2015 Agro Chemical Manufacturer Company, having its manufacturing facilities in the chemical zone of Pashamylaram Industrial Area of Medak District, State Telangana. TRICOM Equipped with modern machinery for producing all types of pesticide grade formulations, most effectively and safely used by farmers for protection of their crops. Quality Control Laboratory is well equipped with sophisticated testing equipments, managed by qualified technicians and conforms to ISO & ISI standards. Sri Posani Nageswara Rao , Chairman. Sri Posani Nageswara Rao is Director. Sri K.Venkateswarlu is Managing Director. The company has a strong dealer network of more than 2,000 plus all over the country. The company has installed capacity of 6 lakh Litres and utilizing the full capacity. The company has manpower of 80 employees.

### Company Financial Performance

As per FY18 audited financials the Company has reported revenue of Rs. 110.02 Crs and PAT of Rs. 0.90 Cr.

### Rating History for the last three years

S.No	Facility	Current Rating (2019)			Rating History		
		Type	Amount (₹ Crs)	Rating	17.5.2018	10.2.2017	2016
	<b>Fund Based</b>	Long Term	11.31	<b>BWR BB</b> (Pronounced as BWR Double B) <b>Outlook: Stable (Upgraded)</b>	<b>BWR BB-</b> (Pronounced as BWR Double B minus) <b>Outlook: Stable</b>	<b>BWR BB-</b> (Pronounced as BWR Double B minus) <b>Outlook: Stable</b>	<b>Not Rated</b>
	<b>Total</b>		<b>11.31</b>	<b>₹ Eleven Crores and Thirty One Lakhs Only</b>			

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

**Key Financial Indicators**

Key Parameters	Units	2016	2017	2018
Result Type		Audited	Audited	Audited
Operating Revenue	₹ in Crs	51.05	52.40	110.20
EBITDA	₹ in Crs	2.11	1.96	2.29
PAT	₹ in Crs	0.79	0.79	0.90
Tangible Net worth	₹ in Crs	6.01	6.80	7.64
Total Debt/Tangible Net worth	Times	1.45	1.55	1.53
Current Ratio	Times	1.25	1.25	1.23

**Hyperlink/Reference to applicable Criteria**

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

For any other criteria obtain hyperlinks from website

Analytical Contacts	Investor Contacts
<p><b>A P Kamath</b> Senior Director - Ratings B : +91 80 4040 9940 <a href="mailto:apkamath@brickworkratings.com">apkamath@brickworkratings.com</a></p> <p><b>Iranna H Mujgond</b> Ratings Analyst B : +91 80 4040 9940 Ext :336 <a href="mailto:iranna.m@brickworkratings.com">iranna.m@brickworkratings.com</a></p>	<p><b>Satish Nair</b> Director - Global Market Development &amp; Investor Relations M : +91 7738875550 B : +91 80 6745 6666 <a href="mailto:satish.n@brickworkratings.com">satish.n@brickworkratings.com</a></p>
1-860-425-2742	



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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](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto: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.

#### **DISCLAIMER**

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