Press Release

Agrigo Trading Private Limited (ATPL)

February 04, 2020

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating Assigned
1	Long Term Bank Facilities – Cash Credit	20.00	IVR BBB/Stable Outlook (IVR Triple B with Stable Outlook)
2	Short Term Bank Facilities – Letter of Credit	20.00	IVR A3+ (IVR A Three Plus)
3	Short Term Bank Facilities – CEL	0.50	IVR A3+ (IVR A Three Plus)
	Total	40.50	

Details of Facilities are in Annexure 1

Detailed Rationale

The assigned rating derives strength from an extensive experience of the promoters & management of the company along with an established track record in the business, moderate financial risk profile with comfortable capital structure and Strong growth in operating income along with EBITDA margin. However, these strengths are partially offset by a customer consternation risk and highly fragmented and cyclical nature of the industry.

Key Rating Sensitivities

Upward Factor

- Sustained improvement in revenue and profitability while maintaining the debt protection metrics.
- Efficient working capital management.

Downward Factor

- Any decline in the scale of operations and/or profitability leading to deterioration in debt protection metrics.

List of key rating drivers with detailed description

Key Rating Strengths

Extensive experience of the promoters, management and established track record in the business:

ATPL has a proven track record of about two decades in the business. The promoters of the company, Mr. Ananth Vummidi and Mr. Barath Vummidi have a combined experience of about four decades in the line of activity. At present, the operations are overseen by Mr. Ponnana (CEO), who is the former MD of STCL Ltd (fully owned subsidiary of The State Trading Corporation of India Limited, a government of India enterprise) and has vast experience of agro trading. His knowledge and managerial experience gives an advantage to ATPL in better procurement and efficient execution.

Moderate Financial Risk profile with comfortable capital structure:

The financial risk profile is marked by a healthy adjust net worth of Rs. 24.24 Crore in FY19. The Interest coverage ratio has improved to 2.10x in FY19 (1.58x in FY18), on account of an improvement in EBITDA due higher turnover. Moreover, the company has a comfortable capital structure evidenced by an overall gearing ratio of 1.28x as on March 31, 2019.

Strong growth in operating income:

Total operating income has grown at a CAGR of ~12.84 % through FY17 to FY19 on account of higher orders from Tamil Nadu Civil Supplies Corporation. The company has current order book as on January beginning 2020 is around Rs. 85.20 Crs to be executed by March 2020. ATPL has recorded a revenue of Rs. 131.73 Crs in H1FY19. Revenue is likely to improve in the long term as ATPL is extending its operations geography to other nearby states.

Y-O-Y improvement in EBITDA margin albeit remain thin:

EBITDA margins has improved to 3.70% in FY19 (2.63% in FY18), on account of an improvement in top line. However, the same remained thin in FY19.

Improving net working capital cycle with Comfortable liquidity position:

The Company's average working capital limits utilization was ~86% during the 12 months ended Oct 2019. ATPL's cash flow from operations have remained positive during FY18 and FY19. Also, the company does not have any major outside term debt and consequently no major repayments are due in the medium term. Overall liquidity position is adequate in nature. Net working capital cycle has also improved to 88 days in FY19 from 104 days in FY17 due to improvement in collection period.

Key Rating Weaknesses

Highly fragmented and cyclical nature of the industry:

The agro commodity sector is highly fragmented with presence of numerous small players and low entry barriers. The returns in this sector tend to be cyclical due to the inherent nature of agro based industry. Indian agriculture sector is highly monsoon dependent. Seasonal factors have a direct bearing on crop production. Moreover, changes in Government regulations pertaining to the industry can impact the industry dynamics

Customer concentration risk:

ATPL is exposed to high customer concentration risk with a single client contributing to a significant portion of the Company's turnover in FY19.

Analytical Approach & Applicable Criteria:

Standalone

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity: Adequate

The Company's average working capital limits utilization was ~86% during the 12 months ended Oct 2019. ATPL's cash flow from operations have remained positive during FY18 and FY19. Also, the company does not have any outside term debt and consequently no major repayments are due in the medium term. Overall liquidity position is Adequate in nature.

About the Company

Incorporated in 2001, Agrigo Trading Private Limited (ATPL) is engaged in the trading of various agricultural commodities such as sugar, maize, rice, wheat and spices. The name of the company was changed in August 2019 from Barath Agri International Trading Private Limited. ATPL is promoted by the Vummidi family, which is based in Chennai. The company majorly gets orders through own network of brokers and orders from government agencies through online bidding.

Financials (Standalone) **(Rs. crore)**

For the year ended* / As On	**31-03-2018 (Audited)**	**31-03-2019 (Audited)**
Total Operating Income	166.70	194.50
EBITDA	4.39	7.19
PAT	1.90	2.81
Total Debt	16.53	39.37
Tangible Net worth	21.42	24.24
EBITDA Margin (%)	2.63	3.70
PAT Margin (%)	1.14	1.97
Overall Gearing Ratio (x)	0.53	1.28

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA:

India Ratings & research in its press release dated May 09, 2018 has migrated the rating of ATPL to "Issuer Not Cooperating" category on account of non-submission of relevant information.

Any other information: N.A

Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
		Type	**Amount (Rs. crore)**	**Rating**	**Date(s) & Rating(s) assigned in 2018-19**	**Date(s) & Rating(s) assigned in 2017-18**	**Date(s) & Rating(s) assigned in 2016-17**
1	Long Term Bank Facilities – Cash Credit	Long Term	20.00	IVR BBB/Stable Outlook (IVR Triple B with Stable Outlook)	--	--	--
2	Short Term Bank Facilities – Letter of Credit	Short Term	20.00	IVR A3+ (IVR A Three Plus)	--	--	--
3	Short Term Bank Facilities – CEL	Short Term	0.50	IVR A3+ (IVR A Three Plus)	--	--	--

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities – Cash Credit	--	--	Revolving	20.00	IVR BBB/Stable Outlook (IVR Triple B with Stable Outlook)
Short Term Bank Facilities – Letter of Credit	--	--	Up to 12 Months	20.00	IVR A3+ (IVR A Three Plus)
Short Term Bank Facilities – CEL	--	--	--	0.50	IVR A3+ (IVR A Three Plus)