

Press Release

Agson Global Private Limited

March 22, 2021

Rating

Facilities	Amount (Rs. crore)	Rating	Rating Action
Long term Bank Facilities	1544.00*	IVR BBB+/Stable Outlook (IVR Triple B Plus with Stable Outlook)	Assigned
Short term Bank Facilities	150.00**	IVR A2 (IVR A Two)	Assigned
Total	1694.00 (Sixteen Hundred and Ninety-Four Crore)		

* includes proposed limit of Rs. 29.94 crore.

** includes proposed limit of Rs. 6.06 crore.

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Agson Global Private Limited derives comfort from long presence of promoters in the business, diversified sources of revenue, reputed clientele with well diversified customer base and favourable demand of almonds led by its immunity boosting property. These rating strengths are partially offset by working capital intensive nature of operations, vulnerability to agro-climatic risks and exposure to foreign exchange risk.

Key Rating Sensitivities

Upward factors

- Significant improvement in profitability metrics with consistent growth in scale of operation thereby leading to overall improvement in cash accruals which is significantly higher than Infomerics expectation could lead to a positive rating action.

Downward factors

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- Dip in operating income and/or profitability impacting the debt coverage indicators or liquidity, subdued industry scenario could lead to a negative rating action.
- Deterioration in capital structure

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Long presence of promoters in the business

Agson Global Private Limited incorporated by Mr. Apresh Garg in year 1997, having vast experience of over two decades in health nuts industry backed by the inherited family business in trading of health nuts. Promoters and family are into business of health nuts from over five decades. Further, company has diversified the business into menthol production in year 2016 having satisfactory capacity utilization with moderate profitability in nascent stage of operations. Company also owns a logistic park situated at Sonipat, Haryana in the vicinity of Kundli–Manesar–Palwal KMP expressway, built on 23.49 acres of land having reputed clientele.

Diversified sources of revenue

AGPL is primarily engaged into import, processing and distribution of health nuts generating sales primarily from the outlet in the Khari baoli, New Delhi which is the largest trading centre of health nuts in India. IPD segment contributes around 70% to 80% of the revenue of the company. AGPL has diversified into menthol production in year 2016 and have achieved satisfactory scale of operations in the nascent stage of operations contributing around 15% to 20% of the total revenue. Company has set up logistics park in year 2017 contributing less than 1% to the total revenue, further company has proposed to undergo the expansion of the logistics park to be funded through term loan borrowing of Rs. 92 crore and rest through internal accruals.

Reputed clientele with well diversified customer base

AGPL has reputed clientele marked by the presence of well-established players such as Patanjali Ayurved, Dharampal Satyapal group, Amazon, Bank of India and various other large corporates.

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AGPL has well diversified customer base with top 5 customers contribution at 16% of the total income having customer presence across the country.

Favourable demand of almonds led by its immunity boosting property

Market is expected to record high demand for immunity boosters to unprecedented levels to minimize the risk of contagion spreading rapidly across the world. Almonds being rich in vitamin, protein, potassium and other nutrients helps in boosting the immunity, is expected to register high growth in demand.

Key Weaknesses

Working capital intensive nature of operations

Being in health nuts business the company is primarily depended on its bank borrowings to fund its working capital requirements. The operations are working capital intensive due to high inventory holdings which is resulted due to elongated shipping time of health nuts of around 4 to 6 months and storage of inventory of health nuts and menthol during season. Also, company has to maintain near to medium term inventory to promptly meet the requirements from reputed customers having large scale of operations. Further, its working capital management average utilisation of bank borrowings of the company stood at ~ 96% for past 12 months ended with January, 2021 indicating low cushion to absorb incremental working capital requirements.

Vulnerability to agro-climatic risks

As almonds is an agricultural commodity, the company is exposed to agro-climatic risks. There is risk of adequate availability of almonds as USA accounts for major production of the almonds in which quality is prone to erratic weather conditions (such as drought, pest attack, heavy rainfall, delay in monsoon, etc.).

Exposure to foreign exchange risk

As company imports its raw material from USA, Canada and Australia leading to which company remains exposed to currency fluctuations to the extent of unhedged exposure. However, company purchases products on cash basis leading to minimal forex risk and exposure at a point of time. AGPL has reported unhedged exposure of around Rs. 99.87 crore as on December 31, 2020. This

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can lead to decline in PBT by Rs. 5.00 crore in case of 5% adverse movement in exchange rates which is manageable for a company of this size.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Trading Sector

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity: Adequate

The liquidity position of the company is adequate marked by the adequate expected gross cash accruals in the projected period to meet the debt obligations. AGPL has working capital intensive nature of business required to maintain inventory due to seasonality of the commodities. Average working capital utilization for the last 12 months ended with Jan-2021, stood at around 96% reflecting tightly matched available limits to the working capital requirement. Operating cycle of the company remain elongated at 198 days as on March 31, 2020.

About the Company

AGPL incorporated by Mr. Apresh Garg in year 1997 as Shree global Impex Limited, later renamed as “Agson Global Private Limited” in year 2008. AGPL is engaged into business of import, processing and distribution of almonds. AGPL has another vertical of production of menthol crystals used in wide range of products across sectors such as medicines, balms, alcoholic beverages, chewing gums, and various other products. Company also owns logistic park situated at Sonipat, Haryana build on 23.49 acres of land catering to the demand of reputed clientele such as Amazon, Bank of India, DTDC and others.

Financials (Standalone):

(Rs. crore)

For the year ended*	31-03-2019	31-03-2020
	Audited	Audited
Total Operating Income	3333.46	3540.19
EBITDA	213.00	226.77

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For the year ended*	31-03-2019	31-03-2020
PAT	45.62	51.82
Total Debt	1169.34	1456.95
Tangible Net worth	603.84	655.54
EBITDA Margin (%)	6.39	6.41
PAT Margin (%)	1.37	1.46
Overall Gearing Ratio (x)	1.91	2.20

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: NA

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Cash Credit	Long Term	1465.00*	IVR BBB+/Stable	-	-	-
2.	Term loan	Long Term	79.00	IVR BBB+/Stable	-	-	-
3.	LC/BG	Short Term	150.00**	IVR A2	-	-	-

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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. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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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	-	-	-	1465.00*	IVR BBB+/Stable
Long Term Bank Facilities- Term loan	-	-	April, 2031	79.00	IVR BBB+/Stable
Short Term Bank Facilities- LC/BG				150.00**	IVR A2

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