



## Press Release

### Agrigo Trading Private Limited

September 19, 2023

#### Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Fund based facility- Cash Credit	20.00	IVR BBB/Stable (IVR Triple B with Stable Outlook)	Reaffirmed	Simple
Long Term Fund based facility- Term Loan	3.26	IVR BBB/Stable (IVR Triple B with Stable Outlook)	Reaffirmed	Simple
Short Term Non-Fund based facility- Letter of Credit	20.00	IVR A3+ (IVR A Three Plus)	Reaffirmed	Simple
Short Term Non-Fund based facility- Forward Contract	0.25	IVR A3+ (IVR A Three Plus)	Reaffirmed	Simple
<b>Total</b>	<b>43.51</b>	<b>Rupees Forty Three Crore and Fifty One Lakh only.</b>		

#### Details of Facilities are in Annexure 1

#### Detailed Rationale

The reaffirmation in the rating assigned to the bank facilities of Agrigo Trading Pvt. Ltd. is on account of established track record and experienced management, Moderate financial risk profile, and Growing scale of operations.

The ratings, however, are constrained by thin profitability margins, Highly fragmented and cyclical nature of the industry, and Customer concentration risk.



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### Key Rating Sensitivities:

#### Upward Factors

- Sustained improvement in revenue and profitability while maintaining the debt protection metrics.
- Improvement in working capital cycle and liquidity profile of the company

#### Downward Factors

- Any significant decline in revenue and/or profitability leading to deterioration in debt protection metrics.

### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

- **Established track record and experienced management:**

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. Altogether, their overall knowledge and managerial experience, and them being assisted by a team of experienced and qualified professionals gives an advantage to ATPL in better procurement and efficient execution.

- **Moderate financial risk profile:**

The financial risk is moderate marked by moderate gearing levels and debt protection metrics. The net worth of the company stood at INR 35.18 crore as on 31st March 2023 as against INR 32.21 crore as on 31st March 2022. The Overall Gearing ratio improved from 1.84 times as on March 31, 2021 to 1.42 as on March 31, 2022 due to decrease in short term borrowings and the same further moderated to 1.79 times as on March 31, 2023. TOL/TNW improved from 1.84 times as on March 31, 2021 to 1.68 times as on March 31, 2022, due to decline in debt, however, the same moderated to 1.91 times as on March 31, 2023.

The debt protection metrics moderated marked by Interest Coverage Ratio of 2.44 times in FY22(FY 21: 2.38 times), the same moderated to 2.33 times in FY23, and Debt



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Service Coverage Ratio was 2.01x in FY22 (FY21: 1.85x), the same moderated to 1.90x in FY23.

Total Debt to GCA improved and stood at 16.92 years in FY22 against 18.56 years in FY21, however, the same moderated to 20.35 years in FY23.

- **Growing scale of operations albeit thin profitability margins:**

TOI of Agrigo Trading Pvt. Ltd. is increasing for the last three years i.e from Rs. 191.65 Crore in FY21 to Rs. 217.19 Crore in FY22 and further to Rs. 246.64 Crore in FY23. The reason for the increase in TOI by 13.56% in FY23 is due to increase in the sales of agro commodities to Tamil Nadu Civil Supplies Corporation.

The profitability margins of the company like EBITDA margin moderated from 3.83% in FY21 to 2.99% in FY22, however, it improved to 3.04% in FY23. The operating margin improved due to the higher margins earned on traded goods. PAT margin also moderated from 1.37% in FY21 to 1.19% in FY22, and the same increased slightly to 1.20% in FY23.

GCA of the company improved in FY23, and stood at Rs.3.09 Cr. as against Rs.2.69 Cr. in FY22.

### **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 and incidence of infestation which affects the demand. Moreover, changes in Government regulations pertaining to the industry can impact the industry dynamics

- **Customer concentration risk:**



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ATPL is exposed to high customer concentration risk with a single client contributing to a significant portion of the Company's turnovers. ATPL's prime customers are the government contractor and suppliers to the government entities of Tamil Nadu and Andhra Pradesh. However, this client is among the major suppliers to government agencies and its established relationship with the company leads to continuous business.

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Rating Methodology for Trading Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria of assigning rating outlook](#)

### **Liquidity – Adequate**

**Comments on liquidity:** The liquidity position of the company is expected to remain adequate on the expectation of sufficient cushion in its cash accruals vis-à-vis debt repayment obligations.

The company had unencumbered cash and bank balances of Rs. 0.48 Cr. as on March 31, 2023.

The current ratio stood at 1.55x as on March 31, 2023. The operating cycle was of 110 days in FY23, as compared to 116 days in FY22. The average utilization of fund-based limits for 12 months ending July`23 is 78%.



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### **About the Trust**

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):**

<b>For the year ended/As on*</b>	<b>31-03-2022</b>	<b>31-03-2023</b>
	<b>Audited</b>	<b>Provisional</b>
Total Operating Income	217.19	246.64
EBITDA	6.50	7.50
PAT	2.58	2.96
Total Debt	45.59	62.92
Tangible Net Worth	32.21	35.18
<b>Ratios</b>		
EBITDA Margin (%)	2.99	3.04
PAT Margin (%)	1.19	1.20
Overall Gearing Ratio (x)	1.42	1.79

\*Classification as per infomerics' standards

**Status of non-cooperation with previous CRA:** India Ratings has classified ratings of the Trust under Issuer Not Cooperating category as per PR dated July 24, 2023, due to unavailability of Information.

**Any other information:** Not Applicable



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### Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 (June 21, 2022)	Date(s) & Rating(s) assigned in 2020-21 (March 22, 2021)	Date(s) & Rating(s) assigned in 2019-20 (February 04, 2020)
1.	Long Term Fund based facility-Cash Credit	Long Term	20.00	IVR BBB/ Stable	IVR BBB/ Stable	IVR BBB/ Stable	IVR BBB/ Stable
2.	Long Term Fund based facility-Term Loan	Long Term	3.26	IVR BBB/ Stable	IVR BBB/ Stable	IVR BBB/ Stable	IVR BBB/ Stable
3.	Short Term Non-Fund based facility-Letter of Credit	Short Term	20.00	IVR A3+	IVR A3+	IVR A3+	IVR A3+
4.	Short Term Non-Fund based facility-Forward Contract	Short Term	0.25	IVR A3+	IVR A3+	IVR A3+	-

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### About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit [www.infomerics.com](http://www.infomerics.com).

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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 Fund based facility- Cash Credit	-	-	-	20.00	IVR BBB/ Stable
Long Term Fund based facility- Term Loan	-	-	2024	1.26	IVR BBB/ Stable
Long Term Fund based facility- Term Loan	-	-	2027	2.00	IVR BBB/ Stable
Short Term Non-Fund based facility- Letter of Credit	-	-	-	20.00	IVR A3+
Short Term Non-Fund based facility- Forward Contract	-	-	-	0.25	IVR A3+

**Annexure 2: List of companies considered for consolidated analysis: Not Applicable.**

**Annexure 3: Facility wise lender details**

<https://www.infomerics.com/admin/prfiles/len-Agrigo-sep23.pdf>

**Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable**

**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](http://www.infomerics.com).