



Press Release

TLG Agro Traders Private Limited (TATPL)

September 30, 2022

Ratings

Facilities	Amount (Rs. crore)	Current Ratings	Rating Action	Complexity Indicator
Long term bank facility – Cash Credit	34.40 (Enhanced from 30.00)	IVR BBB-/ Stable (IVR Triple B Minus With Stable Outlook)	Reaffirmed	Simple
Long term bank facility – Proposed	1.50 (Reduced from 2.20)	IVR BBB-/ Stable (IVR Triple B Minus With Stable Outlook)	Reaffirmed	Simple
Short term bank facility – Pre/Post Shipment Credit	5.60 (Enhanced from 4.40)	IVR A3 (IVR A Three)	Reaffirmed	Simple
Total	41.50			

Details of facilities are in Annexure 1

Detailed Rationale

The rating reaffirmed to the bank facilities of TLG Agro Traders Private Limited (TATPL) continues to derive comfort from extensive experience of promoters in rice milling industry, stable demand prospects for rice, comfortable capital structure and presence in major rice-growing area results in easy availability of paddy. However, these rating strengths remain constrained by moderate working capital intensive nature of operations, highly competitive Industry with agro climatic risk and exposure to foreign exchange fluctuations.

Key Rating Sensitivities:

Upward Factor:

- Significant improvement in scale of operation with improvement in profitability.
- Improvement in capital structure.

Downward Factor:

- Deterioration in working capital cycle and liquidity profile of the company.
- Substantial decline in profitability impacting debt protection matrix and liquidity.



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Detailed Description of Key Rating Drivers

Key Rating Strengths

Extensive experience of promoters in rice milling industry:

The Promoter of the company Mr. Ripan Goel have 4 decades of experience and directors of the company Ms. Meenakshi Goel & Mr. Janesh Garg have 2 – 3 decades of extensive experience in the rice industry which has helped the company to maintain strong relations with its customers as well as with its suppliers. Further, having more than a decade of operational track record has helped the company to establish strong market position.

Stable Demand Prospects for Rice:

The demand prospects for rice industry are expected to remain stable as rice is a staple food grain and India is the world's second largest producer and one of the top exporter in global rice trade.

Comfortable capital structure

Capital structure comprised of mainly working capital limits and significant amount of unsecured loans infused by promoters and related parties. Infomerics has considered the amount of unsecured loans as quasi equity. Capital structure of the company remains comfortable marked by moderate gearing ratio at 1.56x as on March 31, 2022 compared to 1.20x as on March 31, 2021. The interest coverage ratio remains comfortable at 1.96x as on March 31, 2022.

Presence in major rice-growing area results in easy availability of paddy

TLG's paddy processing unit is in Moga District of Punjab which counts amongst the key rice growing regions of the country entailing location advantage with respect to the key raw material availability and logistics. Further, most of the customers of the entity also remain in the vicinity of the processing units.

Key Rating Weaknesses

Moderate working capital intensive nature of operations:



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Operations of the company is moderately working capital intensive as reflected in its operating cycle of 224 days as on March 31st, 2022 & 232 days as on March 31st, 2021. This is because of high Inventory days of 217 days & 224 days for FY2022 & FY2021 respectively. Despite high inventory days, debtor collection cycle is managed efficiently with only 14 days & 17 days for FY2022 & FY2021 respectively.

Highly competitive Industry with agro climatic risk

The Rice processing industry is highly competitive and fragmented industry because of several organised and unorganised players. For rice milling, paddy is the main raw material and it is a seasonal crop and production of the same is highly dependent on the monsoon. Thus, any adverse weather condition like inadequate monsoon may affect the availability of the paddy and that will impact the financial risk profile of the company.

Exposure to foreign exchange fluctuations

The company derives a major portion of its income from exports due to that company will remain exposed to currency fluctuation to the extent of unhedged exposure. However, company has a hedging mechanism in place to reduce exposure to foreign exchange fluctuations. As on 31st March 2022, the unhedged foreign currency exposure is Nil.

Analytical Approach: Standalone Approach

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria on assigning rating Outlook](#)

Liquidity - Adequate

The liquidity of the company is expected to remain Adequate in the near to medium term in view of sufficient cash accruals vis-à-vis insignificant debt repayment obligations. The operations are moderately working capital intensive which has led to high reliance on working capital limits. The fund based average working capital utilisation was at ~ 86% during the last twelve months ended March 2022.



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About the Company

TLG Agro Traders Private Limited is a Punjab based company, Incorporated in 2008 and being promoted by Mr.Ripin Goyal & Mr.Sudhir Goyal. The company is engaged in the milling and processing of Basmati & Non-Basmati Rice. TLG has the processing facility in Punjab's Moga district with an installed capacity of 16 TPH. The company's 50% of the revenue come from export sales to Dubai, Oman & New Zealand.

Financials (Standalone)

For the year ended* As on	INR in Crore	
	31-03-2021	31-03-2022
	Audited	Provisional
Total Operating Income	169.41	208.89
EBITDA	7.98	11.16
PAT	2.63	3.58
Total Debt	66.38	93.74
Tangible Networth	55.40	59.94
EBITDA Margin (%)	4.71	5.34
PAT Margin (%)	1.55	1.71
Overall Gearing Ratio (x)	1.20	1.56

* Classification as per Infomerics' standards

Details of Non-Co-operation with any other CRA:

CRISIL and Brickworks has classified the company under Issuer Not Cooperating in their press release dated February 17, 2022 and December 07, 2021 respectively.

Any other information: N.A.

Rating History for last three years:



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Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years			
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 (Dated August 12, 2022)	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21 (Dated: October 29, 2020)	Date(s) & Rating(s) assigned in 2019-20
1.	Fund based facility – Cash Credit	Long Term	34.40	IVR BBB-/ Stable	IVR BBB-/ Stable	- IVR BB+/ Positive (November 18, 2021) - IVR BB+/ Positive (November 03, 2021)	IVR BB+/ Stable	-
2.	Fund based facility – Proposed	Long Term	1.50	IVR BBB-/ Stable	IVR BBB-/ Stable	- IVR BB+/ Positive (November 18, 2021) - IVR BB+/ Positive (November 03, 2021)	-	-
3.	Fund based facility – Pre/Post Shipment Credit	Short Term	5.60	IVR A3	IVR A3	IVR A4+ (November 18, 2021)	-	-
4.	Fund Based Facility – Warehouse receipt	Short Term	5.00	-	-	Withdrawn (November 03, 2021)	IVR A4+	-

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About Infomerics:



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Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI). Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks. Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations. For more information visit www.infomerics.com

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

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	-	-	-	34.40	IVR BBB-/ Stable
Long Term Fund Based Facility – Proposed	-	-	-	1.50	IVR BBB-/ Stable
Short Term Fund Based Facility – Pre/Post Shipment Credit	-	-	-	5.60	IVR A3



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

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Len-TLG-Agro-sep22.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.