



Press Release

TLG Agro Traders Private Limited

October 30, 2023

Ratings

Instrument / Facilities	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long term bank facility – Cash Credit	40.40 (Enhanced from 34.40)	IVR BBB-/ Stable (IVR Triple B Minus With Stable Outlook)	Reaffirmed	Simple
Long term bank facility – Term Loan	2.00	IVR BBB-/ Stable (IVR Triple B Minus With Stable Outlook)	Assigned	Simple
Long term bank facility – Car Loan	1.00	IVR BBB-/ Stable (IVR Triple B Minus With Stable Outlook)	Assigned	Simple
Long term bank facility – Proposed	0.50 (Reduced from 1.50)	IVR BBB-/ Stable (IVR Triple B Minus With Stable Outlook)	Reaffirmed	Simple
Short term bank facility – Expo Gold Card	5.60	IVR A3 (IVR A Three)	Reaffirmed	Simple
Total	49.50			

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of TLG Agro Traders Private Limited derive strength 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. The rating strengths are, however, constrained by moderate working capital intensive nature of operations, highly competitive industry with agro climatic risk and exposure to foreign exchange fluctuations.



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Key Rating Sensitivities:

Upward Factors

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

Downward Factors

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

List of Key Rating Drivers with Detailed Description

A. 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 1.43x as on March 31, 2023 compared to 1.53x as on March 31, 2022. The interest coverage ratio remains comfortable at 2.92x as on March 31, 2023.



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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.

B. Key Rating Weaknesses

Moderate working capital intensive nature of operations:

Operations of the company is moderately working capital intensive as reflected in its operating cycle of 144 days as on March 31st, 2023 & 223 days as on March 31st, 2022. This is because of high Inventory days of 125 days & 220 days for FY2023 & FY2022 respectively. Despite high inventory days, debtor collection cycle is managed efficiently with only 28 days & 13 days for FY2023 & FY2022 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 30th September 2023, the unhedged foreign currency exposure is Nil.



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Analytical Approach: Standalone

Applicable Criteria:

[Criteria of assigning Rating Outlook](#)

[Rating Methodology for Manufacturing Companies](#)

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

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 ~ 85% during the last twelve months ended August 2023.

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*	(Rs. crore)	
	31-03-2022 (Audited)	31-03-2023 (Audited)
Total Operating Income	208.53	337.28
EBITDA	11.22	15.40
PAT	3.35	6.61
Total Debt	93.83	91.01
Tangible Net worth (including Quasi Equity)	61.23	60.93
Ratios		
EBITDA Margin (%)	5.38	4.56
PAT Margin (%)	1.60	1.96
Overall Gearing Ratio (x)	1.53	1.60

*Classification as per Infomerics' standards



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Status of non-cooperation with previous CRA:

Brickwork Ratings in its Press Release dated December 22, 2022 has categorized TLG Agro Traders Private Limited into Issue Not Cooperating category based on non-availability of information from the company

Crisil Ratings in its Press Release dated April 19, 2023 has categorized TLG Agro Traders Private Limited into Issue Not Cooperating category based on non-availability of information from the company

Rating History for last three years:

Sr . N o.	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 (30 Sept 2022)	Date(s) & Rating(s) assigned in 2022-23 (12 Aug 2022)	Date(s) & Rating(s) assigned in 2021-22
1.	Long term bank facility – Cash Credit	Long Term	40.40	IVR BBB-/ Stable	IVR BBB-/ Stable	IVR BBB-/ Stable	IVR BB+/ Positive (November 18, 2021) - IVR BB+/ Positive (November 03, 2021)
2.	Long term bank facility – Term Loan	Long Term	2.00	IVR BBB-/ Stable	-	-	-
3.	Long term bank facility – Car Loan	Long Term	1.00	IVR BBB-/ Stable	-	-	-
4.	Long term bank facility – Proposed	Long Term	0.50	IVR BBB-/ Stable	IVR BBB-/ Stable	IVR BBB-/ Stable	IVR BB+/ Positive (November 18, 2021) - IVR BB+/ Positive (November 03, 2021)



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5.	Short term bank facility – Expo Gold Card	Short Term	5.60	IVR A3	IVR A3	IVR A3	IVR A4+ (November 18, 2021)
6.	Fund Based Facility – Warehouse receipt	Short Term	5.00	-	-	-	Withdrawn (November 03, 2021)

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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.



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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
Cash Credit	-	-	Revolving	40.40	IVR BBB-/ Stable
Term Loan	-	-	July 2030	2.00	IVR BBB-/ Stable
Car Loan	-	-	-	1.00	IVR BBB-/ Stable
Proposed	-	-	-	0.50	IVR BBB-/ Stable
Expo Gold Card	-	-	-	5.60	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-TLG-oct23.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.