



Press Release

Tinna Trade Limited

September 26th, 2023

Ratings

Instrument/Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	35.20	IVR BB- / Stable (IVR Double B minus with Stable Outlook)	Assigned	Simple
Short Term Bank Facilities	24.00	IVR A4 (IVR A Four)	Assigned	Simple
Total	59.20	(Rupees fifty nine crore and twenty lakh Only)		

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of Tinna Trade Limited draw comfort from its experienced promoters with moderate capital structure and Diversified product profile and established relationship with buyers and suppliers. However, these rating strengths are partially offset by thin profitability margins, weak debt coverage indicators, Customer concentration risk, Inherent risk of Industry and presence in a highly fragmented and competitive agro-commodity trading industry.

Key Rating Sensitivities:

Upward Factor:

- Significant growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals and liquidity.
- Improvement in the capital structure with improvement in debt protection metrics

Downward factor:

- Dip in operating income and/or profitability impacting the debt coverage indicators.



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- Any significant rise in working capital intensity or unplanned capex leading to a deterioration in the liquidity position

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced Promoter**

Promoter of Tinna trade limited is having experience for more than two decades in trading of diversified commodities. Mr. Gaurav Sekhri (Chairman and Managing Director) started his career from Tinna Group. Directors are further supported by qualified and experienced management personnel as well.

Diversified product profile and established relationship with buyers and suppliers

The company has shifted its marketing strategy to focus more on non agricultural products like steel abrasives and steel shots, in order to mitigate the risk of higher dependence on Agri products. The long-standing experience of the promoters has led to strong relationships with the customers as well as with the suppliers. Tinna trade limited does not maintain any long-term contracts with the suppliers but enjoys the flexibility of procuring desired quality raw materials from Mandi/ local suppliers at prevailing rates.

Moderate capital structure

The capital structure remained moderate as on March 31, 2023. The long-term debt to equity and overall gearing stood at 0.26x and 1.04x respectively as on March 31,2023 as against 0.30x and 1.34x respectively as on March 31,2022. The indebtedness of the company as reflected by TOL/TNW improved from 2.45x as on March 31, 2022, to 1.72x as on March 31, 2023 due to decrease in Creditors.



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Key Rating Weaknesses

Presence in a highly fragmented and competitive agro-commodity trading industry:

The agro-commodity trading business is highly fragmented and is characterized by the presence of a large number of organized and unorganized players, which leads to intense competition. Moreover, the overall value addition in the trading industry is very low (grading, sorting and packing activities) which translates into thin profitability.

Inherent Risk of the industry

The company is engaged in providing trading and storage of agro based products, thus it is exposed to risk associated with the fluctuation in production levels, uncertain weather conditions and limited shelf life of the products.

Customer Concentration risk

There is a customer concentration risk because the major operating revenue amounting to 30.61% of its total operating income for FY23 has been achieved from single customer.

Thin profitability margins and weak debt coverage indicators

The total operating income of the company registered a CAGR of 11% during FY21 to FY23 with decrease in operating income in FY23 by 12.15% to Rs. 294.36 Crores in FY23 as against Rs. 335.17 Crore in FY22. The company witnessed decrease in its operating income in FY23 due to decline in sales volume of agri commodities. The company has reported loss at PBT level of Rs. 2.82 crore and net loss of Rs. 2.64 crore in FY23 as against PBT of Rs. 0.22 crore and PAT of Rs. 0.58 Crore in FY22. Further, the company has reported cash loss of Rs. 2.62 crore in FY23 as against cash profit of Rs. 0.55 Crore in FY22. EBITDA decreased from Rs. 2.18 crore in FY22 to Rs. 1.71 Crore in FY23. EBITDA margin decreased by 07 BPS, from 0.65% in FY22 to 0.58% in FY23. EBITDA margin decreased due to increase in loss on derivative



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trading and incurring of Bad debts. The company has reported PAT of Rs.0.10 crore on total operating income of Rs.35.18 crore in Q1FY24 as against net loss of Rs.1.36 crore on total operating income of Rs.127.10 crore in Q1FY23.

Interest coverage ratio deteriorated to 0.41x in FY23 as against 0.70x in FY22 due to high interest and finance charges. Total debt to GCA turned negative in FY23 to (10.50) years from 60.68 years in FY23 due to cash losses reported in FY23.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Trading Companies](#)

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

[Criteria for assigning rating outlook](#)

Liquidity – Adequate

The liquidity position of the company is expected to remain adequate as the company expects sufficient cushion in cash accruals vis-à-vis debt repayment obligations. Though the company reported cash losses in FY23, however, it has reported net profit in Q1FY24. The average fund-based limit utilisation of Tinna trade Limited, remained moderate at 63.08% and non-fund-based utilization remained moderate at 49.70% during the past 12 months ended Aug'23. Unencumbered cash and bank balance is Rs. 5.04 Crore as on 31st Mar'23. TTL's operating cycle increased from 26 days in FY22 to 28 days in FY23 due to increase in collection period from 18 days in FY22 to 38 days in FY23 with a decrease in scale of operations. Current ratio and quick ratio stood moderate at 1.56x and 1.43x as on March 31,2023.

About the Company



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Tinna trade Ltd. (TTL) was set up in 2009 and is a part of the well diversified TINNA GROUP of Companies established four decades ago. The company is primarily engaged in the trading of Agro commodities, i.e., wheat, yellow peas, chana, lentils, oil seeds and oilmeals etc and steel abrasives i.e., steel shots, steel cut wire shots. and the company is listed on Bombay Stock Exchange and Calcutta Stock Exchange.

Financials (Standalone) :

For the year ended*/As on	(Rs. crore)	
	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	335.17	294.36
EBITDA	2.18	1.71
PAT	0.58	-2.64
Total Debt	33.45	27.53
EBITDA Margin (%)	0.65	0.58
PAT Margin (%)	0.17	-0.89
Overall Gearing Ratio (x)	1.34	1.04

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: None

Any other information: Not applicable

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Long Term Bank facilities	Long Term	35.20	IVR BB- / Stable (IVR Double B minus with Stable Outlook)	-	-	-
2.	Short Term Bank facilities	Short Term	24.00	IVR A4 (IVR A Four)	-	-	-



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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.

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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 Facility – Term loan	-	-	Nov'26	5.60	IVR BB- / Stable
Long Term Bank Facility – Cash credit	-	-	-	19.60*	IVR BB- / Stable
Long Term Bank Facility – Cash Credit	-	-	-	10.00	IVR BB- / Stable
Short Term Bank Facility – Letter of credit	-	-	-	8.00	IVR A4
Short Term Bank Facility – Bank Guarantee	-	-	-	16.00	IVR A4

**Interchangeability from CC Limit to LC Limit by SBI to the tune of 50% of FBWC limit i.e., upto Rs. 9.80 crore.*

Annexure-II: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-TTL-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.