



Press Release

Agrigo Trading Private Limited (ATPL)

March 22, 2021

Sr. No	Facilities	Amount (INR Crore)	Current Ratings	Rating Action
1	Long Term Fund Based Facilities – Cash Credit	20.00	IVR BBB/Stable (IVR Triple B with Stable Outlook)	Reaffirmed
2	Short Term Non-Fund Based Facility – Letter of Credit	20.00	IVR A3+ (IVR Single A Three Plus)	Reaffirmed
3	Short Term Bank Facilities – CEL	0.25 (Reduced from INR0.50 Crore)	IVR A3+ (IVR Single A Three Plus)	Reaffirmed
4	Long Term Bank Facilities – Demand Loans (CECL & GECL)	6.00	IVR BBB/Stable (IVR Triple B with Stable Outlook)	Assigned
5	Proposed Long Term Bank Facility – Proposed Cash Credit	2.75	IVR BBB/Stable (IVR Triple B with Stable Outlook)	Assigned
Total		49.00		

Details of Facilities are in Annexure 1

Detailed Rationale

The aforesaid rating to the bank facilities of Agrigo Trading Private Limited (ATPL) continues to derive strength from established track record and experienced management, moderate financial risk profile, augmentation in business risk profile and working capital efficient nature of operations. However, the rating strengths are partially offset by highly fragmented and cyclical nature of the industry and customer concentration risk.

Key Rating Sensitivities:

- Upward Factor

- Sustained improvement in revenue and profitability while maintaining the debt protection metrics.
- Efficient working capital management.



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- **Downward Factor**

- Any decline in the scale of operations and/or profitability leading to deterioration in debt protection metrics.

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 gives an advantage to ATPL in better procurement and efficient execution.

- ***Moderate financial risk profile:***

The financial risk profile is moderate marked by moderate gearing levels and comfortable debt protection metrics. The promoters' commitments towards the business can be seen from constant infusion of funds in the form of paid-up capital. The same has increased to INR18.00 crore in FY20 from INR10.00 crore. ATPL's net worth stood at INR27.03 Crore as on March 31st, 2020 as against INR24.24 Crore as on March 31st, 2019. The debt protection metrics remained healthy on account of comfortable profitability measures. The Company's debt limits are exposed to working capital facilities. Its total debt stood at INR25.74 Crore and the adjusted gearing further stood comfortable at 0.81x as on March 31st, 2020 as against 1.28x as on March 31st, 2019. The Interest coverage ratio improved to 2.32x in FY20 (2.14x in FY19).

- ***Augmentation in business risk profile:***

The operations of the Company have improve marked by an increase in the operating income to INR235.34 Crore in FY20 when compared to INR194.67 Crore in FY19. The operating income of the Company has improved at a CAGR of 15.49% since FY17 ended FY20. In addition to this, the Company reported sustained profitability margins in EBITDA (%) of 3.38% in FY20. The improvement in the business risk profile is on account of stabilized business operations and healthy demand for the products in the market. The Company reported a provisional sales figure of INR143.62 Crore in 11MFY21 (unaudited) and is expected to fast track its revenue generation potential in FY22 on account of the



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positive outlook of agri-commodity industry, the Company's increasing focus for entering the export markets and expected normalcy in the business operations earlier impacted due to the pandemic.

- ***Working capital efficient nature of operations:***

ATPL has efficient working capital marked by improving operating cycle period to 68 days in FY20 as against 86 days in FY19. The receivable days improved to 61 days in FY20 as against 93 days in FY19. The inventory days though deteriorated to 12 days in FY20 when compared to 8 days in FY19, remained comfortable. The working capital operations of the Company is expected to remain efficient on account of the level of inventory to be maintained and the credit extended to its customers.

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:***

ATPL is exposed to high customer concentration risk with a single client contributing to a significant portion of the Company's turnover. However, this client is among the major suppliers to government agencies and its established relationship with the company leads to continuous business.

Analytical Approach &Applicable Criteria:

Standalone Approach

Rating Methodology for Trading Companies

Financial Ratios & Interpretation (Non-Financial Sector)



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Liquidity: Adequate

The Company has adequate liquidity profile marked by comfortable net cash accruals to its maturing debt obligations. The maximum utilization of its fund based working capital limits stood at 80.33% for the last 12 months ended December 2020. The current ratio of the Company remained strong at 2.03x as on March 31st, 2020. The Cash & Bank balances stood moderate at INR4.52 Crore as on March 31st, 2020 (cash balances of INR0.04 Crore and bank deposits of INR4.48 Crore).

About the Company

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:

	(INR Crore)	
For the year ended/ As On*	31-03-2019 (Audited)	31-03-2020 (Audited)
Total Operating Income	194.67	235.34
EBITDA	8.59	7.95
PAT	2.81	2.80
Total Debt	39.37	25.74
Tangible Net worth	24.24	27.03
EBITDA (%)	4.41	3.38
PAT (%)	1.44	1.19
Gearing Ratio (x)	1.28	0.81

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: India Ratings & research in its press release dated July 10th, 2020 has migrated the rating of ATPL to "Issuer Not Cooperating" category

Any other information: N.A



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Rating History for last three years:

Sl. No	Name of Instrument/ Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (INR Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20 (February 04 th , 2020)	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Long Term Fund Based Facilities – Cash Credit	Long Term	20.00	IVR BBB/Stable	IVR BBB/Stable	--	--
2.	Short Term Non-Fund Based Facility – Letter of Credit	Short Term	20.00	IVR A3+	IVR A3+	--	--
3.	Short Term Bank Facilities - CEL	Short Term	0.25	IVR A3+	IVR A3+	--	--
4.	Long Term Bank Facilities – Demand Loans (CECL & GECL)	Long Term	6.00	IVR BBB/Stable	--	--	--
5.	Proposed Long Term Bank Facility – Proposed Cash Credit	Long Term	2.75	IVR BBB/Stable	--	--	--

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. 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	Size of Facility (INR Crore)	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Rating Assigned/ Outlook
Long Term Fund Based Facilities – Cash Credit	20.00	NA	NA	NA	IVR BBB/Stable
Short Term Non-Fund Based Facility – Letter of Credit	20.00	NA	NA	NA	IVR A3+
Short Term Bank Facilities - CEL	0.25	NA	NA	NA	IVR A3+
Long Term Bank Facilities – Demand Loans (CECL & GECL)	6.00	NA	NA	NA Varies from Sept 22-Sept 24	IVR BBB/Stable
Proposed Long Term Bank Facility – Proposed Cash Credit	2.75	NA	NA	NA	IVR BBB/Stable

Annexure II: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Agrigo-lenders-mar21.pdf>