



Press Release

TLG Agro Traders Private Limited (TATPL)

November 03, 2021

Ratings

Facilities	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action
Long term Bank Facilities – Cash Credit	25.00	IVR BB+/ Positive (IVR Double B Plus with Positive Outlook)	IVR BB+/ Stable (IVR Double B Plus with Stable Outlook)	Rating Reaffirmed; Outlook revised to Positive
Long term Bank Facilities – Term Loan	1.00	IVR BB+/ Positive (IVR Double B Plus with Positive Outlook)	-	Assigned
Long term Bank Facilities – Proposed	4.00	IVR BB+/ Positive (IVR Double B Plus with Positive Outlook)	-	Assigned
Short term Bank Facilities	5.00	-	IVR BB+/ Stable (IVR Double B Plus with Stable Outlook)	Withdrawn
Total	30.00			

Details of facilities are in Annexure 1

Detailed Rationale

The rating reaffirmed to the bank facilities of TLG Agro Trade Private Limited (TATPL) considers 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. These rating strengths are partially offset due to moderate working capital intensive nature of operations, highly competitive Industry with agro climatic risk and exposure to foreign exchange fluctuations

The outlook has been revised to Positive on account of healthy financial performance during H1FY22 & expected growth in FY2022.



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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.

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. As on March 31, 2021, Capital structure of the company remains comfortable marked by moderate gearing ratio at 1.20x as on March 31, 2021 compared to 1.13x as on March 31, 2020. The interest coverage ratio remains comfortable at 2.63x as on March 31, 2021.



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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.

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 232 days as on March 31st, 2021 & 188 days as on March 31st, 2020. This is because of high Inventory days of 224 days & 181 days for FY2020-21 & FY2019-20 respectively. Despite high inventory days, debtor collection cycle is managed efficiently with only 17 days & 14 days for FY2020-21 & FY2019-20 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 2021, the unhedged foreign currency exposure is Nil.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies



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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 ~ 84% during the last twelve months ended September 2021.

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	
	31-03-2020	31-03-2021
	Audited	Audited
Total Operating Income	184.54	169.41
EBITDA	7.09	7.98
PAT	2.03	2.63
Total Debt	53.70	66.38
Tangible Net Worth	47.72	55.40
EBITDA Margin (%)	3.84	4.71
PAT Margin (%)	1.10	1.55
Overall Gearing Ratio (x)	1.13	1.20

* Classification as per Infomerics' standards

Details of Non-Co-operation with any other CRA: CRISIL has classified the company under Issuer Not Cooperating in their press release dated December 17, 2020.



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Any other information: N.A.

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21 (Dated: October 29, 2020)	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Fund Based Facility – Cash Credit	Long Term	25.00	IVR BB+/Positive	IVR BB+/Stable	-	-
2.	Fund Based Facility – Term Loan*	Long Term	1.00	IVR BB+/Positive	-	-	-
3.	Fund Based Facility – Proposed	Long Term	4.00	IVR BB+/Positive	-	-	-
4.	Fund Based Facility – Warehouse receipt	Short Term	5.00	Withdrawn	IVR A4+	-	-

*Term Loan under Covid-19 Emergency Credit Line (CECL).

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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. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. 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	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund Based Facility – Term Loan	-	-	April 2022	1.00	IVR BB+/ Positive
Long Term Fund Based Facility – Cash Credit	-	-	-	25.00	IVR BB+/ Positive
Long Term Fund Based Facility – Proposed	-	-	-	4.00	IVR BB+/ Positive

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

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/TLG-agro-traders-lenders-nov21.pdf>

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

Annexure 5: Complexity level of the rated Instruments/Facilities

Sr No.	Instrument	Complexity Indicator
1.	Term Loans	Simple
2.	Working capital (CC)	Simple

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.