

LTC Commercial Co Pvt Ltd

March 22, 2022

Ratings

Facilities / Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	4.81	CARE BB; Stable; ISSUER NOT COOPERATING* (Double B; Outlook: Stable ISSUER NOT COOPERATING*)	Revised from CARE BB+; Stable (Double B Plus; Outlook: Stable) and moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	22.19	CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)	Revised from CARE A4+ (A Four Plus) and moved to ISSUER NOT COOPERATING category
Total Facilities	27.00 (Rs. Twenty-Seven Crore Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE Ratings Ltd has been seeking information from LTC Commercial Co Private Limited (LTC) to monitor the ratings vide e-mail communications/letters dated October 05, 2021, December 02, 2021, January 11, 2022, February 02, 2022, February 07, 2022, February 24, 2022, March 07, 2022 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the ratings on the basis of the best available information which however, in CARE Ratings Ltd's opinion is not sufficient to arrive at a fair rating. The rating on LTC's bank facilities will now be denoted as **CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING***.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The ratings have been revised on account of non-receipt of requisite information required for carrying out a review of the ratings. Further the ratings assigned to the bank facilities of LTC Commercial Co Private Limited (LTC) remained constrained on account of moderate scale of its operations and profitability margins. The ratings are further constrained on account of elongated collection period, delay in receipt of blocked funds with regulatory authorities, risk related to operational uncertainty and vulnerability in profitability margins as warehousing and assaying charges are fixed by NCDEX and risk of possibility of devolvement of liabilities that may arise out of pending litigations.

The above constrains outweigh the benefits derived from experienced promoters with support from qualified management team, comfortable capital structure and moderate debt coverage indicators. The ratings also derive benefits from its established market position as a warehousing agent as well as reputed clientele base along with geographical diversification and favorable demand scenario for warehousing facilities.

Detailed description of the key rating drivers

At the time of last rating on April 23, 2021 the following were the rating strengths and weaknesses

Detailed description of the key rating drivers

Key Rating Weaknesses

Moderate scale of operations and profitability margins

LTC's total operating income (TOI) declined by 14.53% to Rs.51.74 crore in FY20 on y-o-y basis due to decline in income from storage charges pertaining to its warehousing operations. Sales from services (renting of warehouses) declined by 34.32% to Rs.33.93 crore in FY20 on y-o-y basis. Furthermore, sales from agri-commodities trading activities increased by 2.08 times to Rs.16.90 crore in FY20 on y-o-y basis. PBILDT margin declined by 377 bps to 8.40% in FY20 mainly due to proportionately lower income from services which fetch higher margins than trading activities. Furthermore, gross margin on trading activities increased by 326 bps to 4.03%, whereas, gross margin on services declined by 292 bps to 31.89% due to decline in storage income vis-à-vis fixed lease payments and other charges on warehouses leading to decline in operating efficiency. Furthermore, PAT margin also declined by 341 bps to 3.51% due to decline in operating profitability and proportionately higher depreciation and finance cost. Further, GCA also declined by 44.93% to Rs.2.98 crore in FY20 on y-o-y basis in line with the decline in profitability.

During 11MFY21, the company has reported TOI of Rs.40.28 crore with PBILDT of Rs.3.40 crore and PAT of Rs.1.11 crore translating to PBILDT margin and PAT margin of 8.45% and 2.76% respectively along with GCA of Rs.2.36 crore.

¹Complete definitions of the ratings assigned are available at www.careedge.in and in other CARE Ratings Ltd.'s publications

*Issuer did not cooperate; Based on best available information

Delay in receipts of blocked funds with regulatory authorities

Funds of around Rs.29.00 crore (including MAT Credit of Rs.4.85 crore) are blocked with the Income Tax Department as on March 31, 2020 out of which, Rs.6.79 crore were received in FY21. Balance Rs.9.15 crore (excluding MAT credit of Rs.4.85 crore) is yet to be received. Delay in receipt of funds from government authorities affects liquidity of the company. Furthermore, MAT credit can be carried forward for only 10 years (15 assessment years from AY18-19 onwards), resultantly, MAT credit for FY12 (A.Y. 2012-13), FY13 (A.Y. 2013-14), FY14 (A.Y. 2014-15) and FY15 (A.Y. 2015-16) will lapse in FY23, FY24, FY25 and FY26 respectively.

Risk related to operational uncertainty and vulnerability in profitability margins as warehousing and assaying charges are fixed by NCDEX

LTC generated 21.26% of its TOI from NCDEX accredited warehouses in FY20. As some of the warehouses operated by LTC are accredited by NCDEX, the warehousing and assaying charges are fixed by NCDEX periodically. This, in turn, can lead to vulnerability in profitability margins of the company to some extent. Further, NCDEX reserves the right to either allow or disallow its members from accepting fresh stock deposits. NCDEX marks warehouses as not valid for accepting fresh deposits at particular warehouse in cases such as non-availability of space reservation for warehouse owned by Central Warehousing Corporation (CWC) and State Warehousing Corporation (SWC), warehouse in which non-demat goods are stored, warehouse in which the stored goods have crossed expiry dates as specified by NCDEX and warehouse where the quality of goods is not in conformity with the standards laid by NCDEX. Moreover, as per the agreement, the company cannot enter into any business agreement with any other commodity exchanges and hence scope for revenue diversification also remains limited. Further, the lease agreements for all warehouses taken on lease are subject to renewal after every 11 months which restricts LTC from accepting fresh deposits at the same location, in case of non-renewal of lease agreement with existing warehouse.

Risk of possibility of devolvement of liabilities that may arise out of pending litigations

LTC has various pending litigations at various stages and any adverse outcome in these litigations may result in significant liability for the company. As articulated by the management, the total amount of expected liability in all the cases aggregates to around Rs.22.06 crore. The pending matters pertain to some stock which was deposited in LTC's warehouse and on its collateral the bank had financed loans to external parties. However, the said stock was found missing and resultantly, the bank filed various suits against its borrowers and LTC in Debt Recovery Tribunal (DRT) Jaipur as LTC was acting collateral manager in these cases and according to the contract between the bank and LTC, the latter cannot release the stock without expressed approval of the former. If any major liability falls upon the company, then it can have an adverse impact on its liquidity and credit profile. Hence, the final outcome of said litigations would remain a key monitorable.

Key Rating Strengths

Experienced promoters supported by qualified management team

Mr. Rajesh Sharma, Director, has more than two decades of experience in the agriculture commodity trading business through his proprietorship concern, named M/s. Bhagwati Trading Company (BTC). Mr. Rajesh Sharma looks after the overall management of the company. He is well supported by a team of qualified and experienced professionals. Mr. Prashant Kumar Ojha, Chief Operating Officer, has more than a decade of experience in various financial institutions and warehousing business. He defines the overall road map for the company including operations, technology and services. Mr. Gyan Prakash Sharma, Head - Finance, has over four decades of experience in physical commodity trading and looks after the finance function of LTC.

Comfortable capital structure and moderate debt coverage indicators

The capital structure of the company remained comfortable with overall gearing of 0.09 times as on March 31, 2020; improved from 0.12 times as on March 31, 2019 due to scheduled repayment of term loans and lower working capital borrowing at year end as well as accretion of profits to reserves. Upon adjusting Rs.14.00 crore attributable to income tax receivable (MAT credit receivable of Rs.4.85 crore and Income Tax receivable of Rs.9.15 crore) and Rs.22.06 crore attributable to contingent liabilities on account of pending litigations from net worth, adjusted gearing stood at 0.17 times as on March 31, 2020. Long term debt equity ratio stood comfortable at 0.03 times as on March 31, 2020 as against 0.05 times as on March 31, 2019. Furthermore, total outside liabilities to tangible net worth stood at 0.39 times as on March 31, 2020 as against 0.42 times as on March 31, 2019. Debt coverage indicators stood moderate with total debt to GCA of 2.43 times as on March 31, 2020; moderated from 1.73 times as on March 31, 2019 due to decline in GCA. Furthermore, PBILDT interest coverage moderated from 5.82 times during FY19 to 3.73 times in FY20 due to decline in operating profitability. The company has reported overall gearing and total debt to GCA (annualised) of 0.08 times and 2.47 times respectively as on February 28, 2021 and PBILDT interest coverage of 5.42 times in 11MFY21.

Established market position as a warehousing agent as well as reputed clientele base alongwith geographical diversification:

LTC is engaged in providing warehousing and allied services for agro commodities (i.e. guar seeds, guar gum, chick pea, barley, mustard, maize, groundnut, coriander, wheat, soy bean, cumin, cotton seed oilcake, castor seeds, cotton bales and fertilizers etc.) in 43 locations spread across 7 states i.e. Delhi, Gujarat, Haryana, Madhya Pradesh, Maharashtra, Rajasthan and Uttar Pradesh. The company has 5 self-owned warehouses while all other warehouses are taken on lease.

LTC deals in both de-materialized (storage of commodities in both physical as well as electronic form, deliverable on both exchange platform and spot market) and non-demat materialized form of commodity warehousing (storage of commodities in physical form only, deliverable in spot market only). Apart from warehousing services, LTC also provides various allied services

such as commodity testing and certification services, advisory and collateral management services as well as commodity financing services in partnership with the associate banks and NBFCs.

Further, LTC provides warehousing and warehouse management services to the corporate houses as well. Revenue from its top 10 customers stood at 73.69% in FY20 (39.21% in FY19) depicting moderate customer concentration. Further, LTC's clientele includes reputed names like ITC Limited, Karvy Comtrade Ltd., Kotak Securities Ltd. etc. which mitigates counter party risk to some extent.

Favourable demand scenario for warehousing facilities

In the current scenario with Covid related challenges, warehouses are facing the issue of having to offer discounts to clients, especially those whose operations have been temporarily disrupted due to the pandemic. Even in rural areas, agri-warehousing companies have formed an industry wide-association to renegotiate terms with warehouse owners. Client profile is key in determining the extent of revenue loss in FY21, with multinational clients and those in the e-commerce space unlikely to renegotiate lease rentals. The warehousing industry is expected to be among the fastest to recover from the coronavirus crisis. The growth in the warehousing space, though expected to slow down in FY21 at around 10%; however in medium term the same is expected to grow as per estimates at pre-COVID level. Various factors like accelerated E-commerce demand, preference of the companies towards A and B grade warehouses, inventory stockpiling so as to avoid supply shortage, increase in demand for agri-warehousing and a more decentralized consumption footprint will fuel the long term growth prospects of the sector.

Analytical Approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Rating Outlook and Credit Watch](#)

[CARE's Policy on Default Recognition](#)

[Financial ratios – Non-Financial Sector](#)

[Rating Methodology - Service Sector Companies](#)

[Short Term Instruments](#)

About the Firm

LTC Commercial Company Private Limited (LTC) was promoted by Mr. Laxmi Narayan Tawania and Mr. Tolaram Tawania in 1992. However, in 2006, Mr. Rajesh Sharma and his wife, Mrs. Gargi Saraswat took over the company and modified the Memorandum and Articles of Association (MOA) of company. LTC offers modern, scientific, IT enabled storage services for agro commodities covering more than 43 locations spread across 7 states. The company has 115 storage facilities under self-ownership (5 storage facilities) and leased basis (110 storage facilities) having a storage capacity of over 7.54 Lakh MT and admeasuring 38.18 Lakh sq. ft. area as on March 31, 2020. Out of the total, 49 warehouses are accredited by National Commodity and Derivatives Exchange Limited (NCDEX) and remaining are non-NCDEX accredited warehouses. LTC also provides commodity assaying services and it is an NCDEX appointed Assayer. The company also provides the advisory and collateral management services along with commodity financing services in partnership with the associate banks and Non-Banking Financial Companies (NBFCs). Further, the company is also engaged in trading of agro commodity and generated around 32.66% of TOI from trading activities in FY20. The company's warehouses are as per the standards laid down by National Bank for Agriculture and Rural Development (NABARD). The company is an ISO 9001-2008 certified company and is registered with Warehousing Development & Regulatory Authority (WDRA).

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)	FY21 (A)	9MFY22 (Prov.)
Total operating income	60.53	51.74	NA	NA
PBILDT	7.37	4.34	NA	NA
PAT	4.19	1.81	NA	NA
Overall gearing (times)	0.12	0.09	NA	NA
Interest coverage (times)	5.82	3.73	NA	NA

A: Audited; NA: Not available

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History (Last three years): Please refer Annexure-2

Covenants of rated instrument/facility: Please refer Annexure-3

Complexity level of various instruments rated for this company: Please refer Annexure-4

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Non-fund-based - ST-Bank Guarantee		-	-	-	22.19	CARE A4; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan		-	-	March 2021	0.01	CARE BB; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan		-	-	March 2021	0.01	CARE BB; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan		-	-	September 2027	2.29	CARE BB; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Bank Overdraft		-	-	-	2.50	CARE BB; Stable; ISSUER NOT COOPERATING*

*Issuer did not cooperate; Based on best available information

Annexure-2: Rating History of last three years

Sr. No	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Term Loan	LT	-	-	-	-	-	1)Withdrawn (02-Apr-18)
2	Non-fund-based - ST-Bank Guarantee	ST	22.19	CARE A4; ISSUER NOT COOPERATING*	1)CARE A4+ (23-Apr-21)	-	1)CARE A4+; ISSUER NOT COOPERATING* (26-Mar-20) 2)CARE A3+ (04-Apr-19)	1)CARE A3+ (02-Apr-18)
3	Fund-based - LT-Term Loan	LT	-	-	-	-	-	1)Withdrawn (02-Apr-18)
4	Fund-based - LT-Term Loan	LT	-	-	-	-	-	1)Withdrawn (02-Apr-18)
5	Fund-based - LT-Term Loan	LT	-	-	1)Withdrawn (23-Apr-21)	-	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (26-Mar-20) 2)CARE BBB; Stable (04-Apr-19)	1)CARE BBB (02-Apr-18)
6	Fund-based - LT-Term Loan	LT	-	-	1)Withdrawn (23-Apr-21)	-	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (26-Mar-20) 2)CARE BBB; Stable (04-Apr-19)	1)CARE BBB (02-Apr-18)
7	Fund-based - LT-Term Loan	LT	0.01	CARE BB; Stable; ISSUER NOT COOPERATING*	1)CARE BB+; Stable (23-Apr-21)	-	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (26-Mar-20) 2)CARE BBB; Stable (04-Apr-19)	1)CARE BBB (02-Apr-18)
8	Fund-based - LT-Term Loan	LT	0.01	CARE BB; Stable; ISSUER NOT	1)CARE BB+; Stable (23-Apr-21)	-	1)CARE BB+; Stable; ISSUER NOT COOPERATING*	1)CARE BBB (02-Apr-18)

				COOPERATING*			(26-Mar-20) 2)CARE BBB; Stable (04-Apr-19)	
9	Fund-based - LT-Term Loan	LT	2.29	CARE BB; Stable; ISSUER NOT COOPERATING*	1)CARE BB+; Stable (23-Apr-21)	-	1)CARE BB+; Stable; ISSUER NOT COOPERATING* (26-Mar-20) 2)CARE BBB; Stable (04-Apr-19)	1)CARE BBB (02-Apr-18)
10	Fund-based - LT-Bank Overdraft	LT	2.50	CARE BB; Stable; ISSUER NOT COOPERATING*	1)CARE BB+; Stable (23-Apr-21)	-	-	-

* Long Term / Short Term. *Issuer did not cooperate; Based on best available information

Annexure 3: Covenants of rated instrument/facility: Not Applicable

Annexure 4: Complexity level of various instruments rated for this Company

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Bank Overdraft	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - ST-Bank Guarantee	Simple

Annexure 5: Bank Lender Details for this Company

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careedge.in. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About CARE Ratings Limited:

Established in 1993, CARE Ratings Ltd. is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India (SEBI), it has also been acknowledged as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). With an equitable position in the Indian capital market, CARE Ratings Limited provides a wide array of credit rating services that help corporates to raise capital and enable investors to make informed decisions backed by knowledge and assessment provided by the company.

With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

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Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

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