

Teesta Agro Industries Ltd
February 05, 2019

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Remarks
Long term Bank Facilities	17.50	CARE BB+; Stable, ISSUER NOT COOPERATING* (Double B Plus; Outlook: Stable ISSUER NOT COOPERATING*)	Issuer not cooperating; Revised from CARE BBB-; Stable, ISSUER NOT COOPERATING* (Triple B Minus; Outlook: Stable ISSUER NOT COOPERATING*); on the basis of best available information
Short term Bank Facilities	20.25	CARE A4+; ISSUER NOT COOPERATING* (A Four Plus; ISSUER NOT COOPERATING*)	Issuer not cooperating; Revised from CARE A3; ISSUER NOT COOPERATING* (A Three; ISSUER NOT COOPERATING*); on the basis of best available information
Total	37.75 (Rs. Thirty Seven crore and Seventy Five lakh only)		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated March 16, 2018, placed the ratings of Teesta Agro Industries Ltd. (TAIL) under the 'issuer non-cooperating' category as TAIL had failed to provide information for monitoring of the rating. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

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

The ratings have been revised on account of lack of substantial information i.e., operational and project related information leading to inability of CARE to assess the credit risk profile of the company.

Detailed description of the key rating drivers

At the time of last rating on March 16, 2018, the following were the rating strengths and weaknesses (updated for the information available from stock exchange).

Key Rating Strengths

Significant experience of promoters in the fertilizer industry: TAIL was promoted by Mr. Hardev Singh (MD) having around three decades of experience in the fertilizer industry. He is supported by his two sons Mr. Paramdeep Singh and Mr. Inderdeep Singh, both commerce graduates having more than a decade of experience in the fertilizer industry.

Established brand image with strong marketing & distribution network: TAIL markets its product under the brand name of "Kanchan", which is a well-accepted brand in phosphate based fertilizers segment. Furthermore, TAIL has well established marketing network of distributors (mostly in West Bengal) across the country.

Comfortable capital structure and adequate liquidity: TAIL's capital structure continued to remain comfortable with the overall gearing excluding acceptances ratio at 0.04x as on September 30, 2018 (0.02x as on March 31, 2018). Total debt/GCA declined from 0.47x in FY18 to 1.35x in H1FY19 led by decline in GCA and increase in total debt in H1FY19.

Key Rating Weaknesses

Small scale of operations and low profitability: TAIL continues to be a relatively small player in the fertilizer industry with total operating income of Rs.85.16 crore in FY18 (Rs.66.02 crore in FY17). Furthermore, TAIL continues to operate at low

¹ Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

*Issuer did not cooperate; Based on best available information

profitability with the PBILDT margin ranging between 3%-4% during the last three years (FY16-FY18). Furthermore, profitability is susceptible to Government subsidies.

Commodity price fluctuation and forex risk: The key raw material required for the manufacturing of phosphate based fertilizers is rock phosphate and sulphuric acid. India is a net importer of rock phosphate and the prices of rock phosphate and sulphuric acid, which are the major raw materials for Single Super Phosphate (SSP), have been volatile due to linkages with the international market. The company imports a large portion of its raw material requirement which exposes the company to forex risk.

Highly regulated nature of industry: The fertilizer industry in India is highly regulated in nature with intervention of the Central Government in fixation and release of the subsidy amount. Thus, various government policies and subsidy fixation have an impact on the prospects of the industry players.

Geographical concentration risk: The operation of the company is concentrated with majority of its revenues derived from the state of West Bengal.

Working capital intensive nature of operations: The operations of the company are working capital intensive due to delay in collection of subsidy proceeds from the government.

Stable financial performance in FY18 and H1FY19: The operating income has increased from Rs.66.02 crore in FY17 to Rs.85.16 crore in FY18. However, PBILDT margin has moderated from 4.62% in FY17 to 3.86% in FY18. Further, the interest coverage has also declined from 5.26x in FY17 to 4.70x in FY18 due to higher interest cost during the year. In FY18, the company has reported GCA of Rs.3.13 crore vis-à-vis debt repayment obligation of Rs.0.16 crore. In H1FY19, the company has reported PAT of Rs.0.42 crore on total operating income of Rs.42.90 crore.

Analytical approach: Standalone

Applicable Criteria

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

[Criteria on assigning Outlook to Credit Ratings](#)

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

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

[CARE's methodology for manufacturing companies](#)

[Criteria for Short Term Instruments](#)

About the Company

Teesta Agro Industries Limited (TAIL), promoted by Punjab-based Mr. Hardev Singh, was incorporated as Sunderban Fertilizers Ltd in September 1986. Subsequently, in April 1995, the name of the company was changed to its present name. TAIL is engaged in manufacturing of fertilizers like Single Super Phosphate (SSP), mixture fertilizers of various grades and Granulated Single Super Phosphate (GSSP). TAIL has its manufacturing facility located at Jalpaiguri district, West Bengal with an installed capacity of 1,65,000 MTPA of SSP, 66,000 MTPA of GSSP, 66,000 MTPA of Sulphuric Acid (SA; which is captively used to manufacture SSP) and 33,000 MTPA of mixture fertilizers. The company markets its products under the brand name of "Kanchan" and has presence in eastern and north-eastern states of India with major focus in West Bengal.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	66.02	85.16
PBILDT	3.05	3.29
PAT	0.43	1.06
Overall gearing (times)^	0.06	0.02
Interest coverage (times)	5.26	4.70

A: Audited; ^Excluding Acceptances

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating History for last three years: Please refer Annexure-2

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.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	17.50	CARE BB+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB-; Stable; ISSUER NOT COOPERATING* on the basis of best available information
Non-fund-based - ST-Letter of credit	-	-	-	17.50	CARE A4+; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A3; ISSUER NOT COOPERATING* on the basis of best available information
Non-fund-based - ST-Bank Guarantees	-	-	-	2.00	CARE A4+; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A3; ISSUER NOT COOPERATING* on the basis of best available information
Non-fund-based - ST-Forward Contract	-	-	-	0.75	CARE A4+; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A3; ISSUER NOT COOPERATING* on the basis of best available information

**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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Cash Credit	LT	17.50	CARE BB+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BBB-; Stable; ISSUER NOT COOPERATING* on the basis of best available information	-	1)CARE BBB-; Stable; ISSUER NOT COOPERATING* (16-Mar-18) 2)CARE BBB-; Stable (11-Jul-17)	1)CARE BBB-; ISSUER NOT COOPERATING* (20-Mar-17) 2)CARE BBB- (10-Jun-16)	1)Suspended (16-Mar-16)
2.	Non-fund-based - ST-Letter of credit	ST	17.50	CARE A4+; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A3; ISSUER NOT COOPERATING* on the basis of best available information	-	1)CARE A3; ISSUER NOT COOPERATING* (16-Mar-18) 2)CARE A3 (11-Jul-17)	1)CARE A3; ISSUER NOT COOPERATING* (20-Mar-17) 2)CARE A3 (10-Jun-16)	1)Suspended (16-Mar-16)
3.	Non-fund-based - ST-Bank Guarantees	ST	2.00	CARE A4+; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A3; ISSUER NOT COOPERATING* on the basis of best available information	-	1)CARE A3; ISSUER NOT COOPERATING* (16-Mar-18) 2)CARE A3 (11-Jul-17)	1)CARE A3; ISSUER NOT COOPERATING* (20-Mar-17) 2)CARE A3 (10-Jun-16)	1)Suspended (16-Mar-16)
4.	Non-fund-based - ST-Forward Contract	ST	0.75	CARE A4+; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE A3; ISSUER NOT COOPERATING* on the basis of best available information	-	1)CARE A3; ISSUER NOT COOPERATING* (16-Mar-18) 2)CARE A3 (11-Jul-17)	1)CARE A3; ISSUER NOT COOPERATING* (20-Mar-17) 2)CARE A3 (10-Jun-16)	1)Suspended (16-Mar-16)

*Issuer did not cooperate; Based on best available information

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