Teesta Agro Industries Limited

March 16, 2018

Rating

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long-term Bank Facilities	17.50	**CARE BBB-, Stable; ISSUER NOT COOPERATING* (Triple B minus; Outlook: Stable; ISSUER NOT COOPERATING*)**	**Issuer not cooperating; Based on best available information**
Short-term Bank Facilities	20.25	**CARE A3; ISSUER NOT COOPERATING* (A Three; ISSUER NOT COOPERATING*)**	**Issuer not cooperating; Based on best available information**
Total Facilities	**37.75 (Rupees Thirty Seven crore Seventy Five Lakh only)**		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Teesta Agro Industries Limited (TAIL) to monitor the ratings vide e-mail communications/letters dated 26th February 2018, 15th February 2018, 12th February 2018, 10th February 2018, 03rd February 2018 and 16th January 2018 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 has reviewed the ratings on the basis of the publicly available information which however, in CARE's opinion is not sufficient to arrive at a fair ratings. Further, TAIL has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The ratings on TAIL's bank facilities will now be denoted as **CARE BBB-; Stable/CARE A3 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.

The ratings take into account experience of the promoters in the fertilizer industry, established brand image with strong marketing & distribution network and comfortable capital structure as on March 31, 2017. The ratings, however, are constrained by small scale of operations, susceptibility of profitability to volatility in raw-material & foreign exchange fluctuations, low profitability, geographical concentration risk, working capital intensive nature of operations and highly regulated nature of the industry. The ratings also factors in the low capacity utilisation in its newly commenced unit at Rajasthan. Ability of the company to increase the scale of operations & profitability, sustain the capital structure, favorable regulatory governance and timely realization of subsidy from the government are the key rating sensitivities.

Detailed description of the key rating drivers

At the time of last rating on July 11, 2017 the following were the rating strengths and weaknesses (updated for the information available from the company):

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.

[1] *Complete definition of the ratings assigned are available at www.careratings.com and in other CARE publications*

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 consisting of around 150 sales 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 0.06x as on March 31, 2017 (0.09x as on March 31, 2016). Total debt/GCA declined from 4.20x in FY16 to 2.07x in FY17 led by increase in GCA and decline in total debt in FY17.

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.66.02 crore in FY17 (Rs.69.75 crore in FY16). Furthermore, TAIL continues to operate at low profitability with the PBILDT margin ranging between 4.62%-4.50% during the last three years (FY15-FY17). 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 SSP, have been volatile due to linkages with the international market. The company imports a large portion of its raw material requirement from UAE and Egypt accounting for about 62% of the total raw material requirement in FY16 (58% in FY15) majorly on cash basis. However, for the rest (about 38%) it remained exposed to forex fluctuation risk. The company hedges its forex risk through forward contract arrangement.

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 around 72% of its revenues derived from West Bengal in FY16.

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. Out of the total receivables of Rs.22.74 crore as on March 31, 2016, about 21% accounts for price concession subsidy receivable from Department of Fertilizers (DoF). Furthermore, the company imports majority of its raw material requirement from UAE and Egypt, mainly on cash basis. However, balance raw material is procured domestically, where TAIL enjoys extended credit period. High credit period resulted in negative working capital cycle for the company.

Stable financial performance in FY17: The operating income has moderated slightly in FY17 to Rs. 66.02 crore as compared to Rs. 69.75 crore in FY16. Consequently, the PBILDT has also come down to Rs. 3.05 crore in FY17 as compared to Rs. 3.14 crore in FY16. However, the PBILDT margin increased to 4.62% in FY17 as compared to 4.50% in FY16. Further, the interest coverage has improved in FY17 to 5.26x as compared to 3.24x in FY16 due to lower interest cost during the year. In FY17, the company has reported GCA of Rs.2.61 crore vis-à-vis debt obligations of Rs.0.16 crore.

In 9MFY18, total income increased to Rs. 60.63 crore as compared to 48.82 crore in 9MFY17 which has also led to improved PBILDT to Rs. 2.50 crore in 9MFY18 as compared to Rs. 1.72 crore in 9MFY17.

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

TAIL promoted by Punjab-based Mr Hardev Singh, incorporated in September 1986 is engaged in manufacturing of fertilizers like Single Super Phosphate (SSP; accounting for about 80% of gross sales (excluding subsidy) in FY16), mixture fertilizers "N:P:K", where N stands for "Nitrogen", P for "Phosphate" and K for "Potash", in various grades, Granulated Single Sulphur Phosphate (GSSP) & Sulphuric Acid (SA). While it sells SSP, GSSP and mixture fertilizers in the open market, it uses SA mainly for captive consumption to manufacture SSP.

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 SA and 33,000 MTPA of mixture fertilizers. The company has established another manufacturing unit at Gangur (district: Chittorgarh, Rajasthan) for manufacturing of SSP in the form of Powder and granular with an installed capacity for powder 185000 MTPA and Granular 132000 MTPA at an aggregate cost of Rs.25.35 crore financed by internal accruals and equity. The Rajasthan unit started its operation from September, 2016. The company markets its products under the brand name of "Kanchan" and has presence in eastern and north-eastern states of India with a major focus in West Bengal.

In FY17, TAIL reported a PAT of Rs. 0.43 crore on a total operating income of Rs.66.02 crore as against PAT of Rs. 0.91 crore on a total operating income of Rs.69.75 crore in FY16.

Status of non-cooperation with previous CRA: CRISIL has suspended its ratings vide press release dated August 29,2012 on account of non-cooperation by Teesta Agro Industries Limited with CRISIL's efforts to undertake a review of the outstanding ratings.

Any other information: Not Applicable

Rating History (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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****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

About CARE Ratings:

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Disclaimer

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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 BBB-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Non-fund-based - ST-Letter of credit	-	-	-	17.50	CARE A3; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Non-fund-based - ST-Bank Guarantees	-	-	-	2.00	CARE A3; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information
Non-fund-based - ST-Forward Contract	-	-	-	0.75	CARE A3; ISSUER NOT COOPERATING* Issuer not cooperating; Based on 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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Cash Credit	LT	17.50	CARE BBB-; Stable; ISSUER NOT COOPERATING*	1)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)	1)CARE BBB- (31-Mar-15) 2)CARE BBB- (02-Apr-14)
2.	Non-fund-based - ST-Letter of credit	ST	17.50	CARE A3; ISSUER NOT COOPERATING*	1)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)	1)CARE A3 (31-Mar-15) 2)CARE A3 (02-Apr-14)
3.	Non-fund-based - ST-Bank Guarantees	ST	2.00	CARE A3; ISSUER NOT COOPERATING*	1)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)	1)CARE A3 (31-Mar-15) 2)CARE A3 (02-Apr-14)
4.	Non-fund-based - ST-Forward Contract	ST	0.75	CARE A3; ISSUER NOT COOPERATING*	1)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)	1)CARE A3 (31-Mar-15) 2)CARE A3 (02-Apr-14)

**Issuer did not cooperate; Based on best available information*

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