

Tinna Trade Limited

February 21, 2020

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities	39.60	CARE BB; Negative (Double B; Outlook: Negative)	Ratings Reaffirmed; Outlook revised from “positive” to “negative”
Short term Bank Facilities	20.00	CARE A4+ (A four Plus)	Ratings Reaffirmed
Total Facilities	59.60 (Rs. Fifty nine crore and sixty lakh only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Tinna Trade Limited (TTL) continue to remain constrained on account of below average financial risk profile, thin profitability margins due to fragmented nature of the industry and inherent risk associated with volatility in the agro commodities prices. However, the ratings draw strength from the extensive experience of the promoters with long operational track record and established distribution network with diversified customer base.

Rating Sensitivities

Positive Factors

- Improvement in total operating income above Rs. 550 crore and PBILDT margin above 2.50% on a sustained basis.
- Improvement in debt coverage with PBILDT interest coverage above 2.50 times on a sustained basis.

Negative Factors

- Continued decline in scale of operations below Rs.350 crore and cash accrual below Rs.1 crore on a sustained basis.
- Increased dependence on working capital borrowing leading to substantial increase in interest cost and weakening of debt coverage metrics below unity on a sustained basis.

Outlook: Negative

The revision in rating outlook from stable to negative is on account of weaker than envisaged operational performance during 9MFY20 (refers to the period from April 1 to December 31) with sequential decline in operating income and cash accruals with limited possibility of the company to recoup these losses and achieve positive cash accruals for the full year. The outlook may be revised to stable in case TTL is able to achieve profitable growth in the scale of operations with healthy cash accruals.

Detailed description of the key rating drivers

Key Rating Weaknesses

Weak operational performance during 9MFY20

The total operating income of the company stood at Rs. 248.90 Cr during 9MFY20 (PY: Rs.371.68 Cr). The PBILDT margin of the company moderated to 0.72% during 9MFY20 (PY: 2.29%) due to lower sales realization which led to inventory built up and high warehouse storage costs adversely impacting the profitability and cash accruals of the company.

Below average financial risk profile

The operating income of TTL has increased from Rs.460.34 crore in FY18 to Rs.479.23 crore in FY19. The company has witnessed improvement in FY19 and recorded PAT of Rs.1.64 crore as against loss of Rs.0.28 crore in FY18. Due to the shift from import of raw materials to procuring it from domestic market, the operating cycle has improved from 46 days in FY18 to 29 days in FY19. The overall gearing has reduced from 2.09x as on March 31, 2018 to 0.35x as on March 31, 2019 on account of decrease in working capital limit utilization as on balance sheet date and repayment of warehousing loan of Rs.6.01 crore partly through internal accruals. For 9MFY20, the company has recorded a loss of Rs. 1.75 crore.

Thin profitability margins marked by presence in fragmented and competitive industry

The company is engaged in trading of agro commodities which is inherently associated with low profit margins as little or no value addition is involved. Further presence of organized players intensifies the competition in the industry and reduces the headroom for improvement in margins. The PBILDT margin of TTL stood at 1.89% in FY18 and 1.76% in FY19 and the PAT margin was -0.06% in FY18 and 0.34% in FY19.

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

Volatility in input prices owing to agro-based business

The price of an agro commodity is dependent on multiple factors, climatic conditions being one of them and can exhibit high degree of volatility. Thereby, TTL is exposed to any steep price movements and resultant price risk on its inventory. The company has also setup a R&D team for risk management for price fluctuations, foreign exchange fluctuations, counterparty risks and change in government policies to ensure constant financial flows to sustain their business position over the long term.

Key Rating Strengths

Long track record of promoters in agro commodity trading

TTL was promoted by Mr. Gaurav Sekhri and Mr. Kapil Sekhri in the year 2009. Mr Gaurav Sekhri has done his bachelors from Richmond College, London (U.K.). He has an experience of over 22 years in trading business. He possesses key expertise in the business of commodity trading and other business verticals, including cargo handling operations & warehousing. Mr. Kapil Sekhri has done his Bachelor of Business Administration (BBA) from American University, London and has more than 18 years of industry experience.

Established procurement and distribution network

The long standing experience of the promoters has led to strong relationship with the customers as well as with the suppliers. TTL does not maintain any long term contracts with the suppliers but enjoys the flexibility of procuring desired quality raw materials from Mandi/ local suppliers at prevailing rates. The company has over a period of time has created synergies with domestic suppliers as well which helped them to maintain the same scale of operations.

Liquidity : Adequate

The company's current ratio improved from 1.09x as on March 31, 2018 to 1.50x as on March 31, 2019. It had free cash and cash equivalence balance of Rs.4.41 crore as on March 31, 2019. The working capital utilization stood moderate at Rs. 13.44 crore (out of sanctioned limit of Rs. 30.00 crore) as on December 31, 2019.

Analytical approach: Standalone

Applicable Criteria

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

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

[CARE's methodology for Short-term Instruments](#)

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

[Rating Methodology-Wholesale trading](#)

About the Company

Tinna Trade Limited (TTL) was incorporated in January, 2009, and later in the year 2009, Viterra Asia Ltd (Canada) acquired 60% stake of the company and it was renamed as Tinna Viterra Trade Private Limited. Subsequently, in 2013 Viterra Asia was acquired by Glencore PLC (Switzerland), but the Indian government did not allow the JV to function as Glencore was already present in India. As a result, the stake of Glencore PLC was acquired by Tinna Rubber & Infrastructure Limited (TRIL). Currently, TTL is an independent company as the company has been demerged from TRIL in FY18. TTL has got itself listed on the BSE in Aug, 2018.

TTL is engaged in the business of importing & trading of Agro commodities like Grains, Pulses, Proteins and Oil seeds.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	460.34	479.23
PBILDT	8.70	8.43
PAT	-0.28	1.64
Overall gearing (times)	2.09	0.35
Interest coverage (times)	1.04	1.57

A: Audited

Status of non-cooperation with previous CRA: ICRA has conducted the review and has classified Tinna Trade Limited as "Not cooperating" vide its press release dated May 31, 2019.

Any other information: NA

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

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	-	-	-	39.60	CARE BB; Negative
Non-fund-based - ST-BG/LC	-	-	-	20.00	CARE A4+

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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Cash Credit	LT	39.60	CARE BB; Negative	1)CARE BB; Positive (27-Jun-19)	1)CARE BB; Stable (10-Sep-18)	1)CARE BB; Stable (28-Aug-17)	1)CARE BB; Stable (23-Jan-17)
2.	Non-fund-based - ST-BG/LC	ST	20.00	CARE A4+	1)CARE A4+ (27-Jun-19)	1)CARE A4+; Stable (10-Sep-18)	1)CARE A4+ (28-Aug-17)	1)CARE A4+ (23-Jan-17)

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities- Nil

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.

Contact us

Media Contact

Mradul Mishra

Contact no. – +91-22-6837 4424

Email ID – mradul.mishra@careratings.com

Analyst Contact

Mr. Sachin Mathur

Contact No.- 011- 45333206

Email ID- sachin.mathur@careratings.com

Relationship Contact

Ms. Swati Agrawal

Contact no. : +91-11-45333200

Email ID : swati.agrawal@careratings.com

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