

Tinna Trade Limited

June 27, 2019

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	39.60	CARE BB; Positive (CARE Double B; Outlook: Positive)	Reaffirmed; Outlook revised from Stable to Positive
Short-term Bank Facilities	20.00	CARE A4+ (CARE A Four Plus)	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 and long operational track record and established distribution network with diversified customer base.

Going forward, the ability of the company to scale up its operations while improving the margins and improve debt metrics will remain the key rating sensitivities.

Outlook: Positive

The outlook is positive on account of expectation of reduction in working capital intensity thereby resulting in lower borrowings and interest cost. The outlook may be revised to stable if the working capital requirements increase and the company resorts to more debt funding to manage its working capital gap.

Detailed description of the key rating drivers

Key Rating Weaknesses

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.

Thin profitability margins marked by presence in fragmented and competitive industry

The company is involved 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.

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

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

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.

Adequate Liquidity

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 84% for the trailing 12 months ended April 2019. However, the utilization of non-fund based limits remains low.

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:

NA

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; Positive
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; Positive	-	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+; Stable (10-Sep-18)	1)CARE A4+ (28-Aug-17)	1)CARE A4+ (23-Jan-17)

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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