

**Tufanganj Agro Industries Private Limited**  
 February 28, 2020

**Rating**

Facilities	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long-term Bank Facilities	7.30 ( Reduced from 7.92)	<b>CARE BB-; Stable</b> <b>(Double B Minus; Outlook: Stable)</b>	<b>Reaffirmed</b>
Short-term Bank Facilities	0.75	<b>CARE A4</b> <b>(A Four)</b>	<b>Reaffirmed</b>
<b>Total</b>	<b>8.05</b> <b>(Rupees Eight Crore and Five Lakh only)</b>		

*Details of instruments/facilities in Annexure-I*

**Detailed Rationale & Key Rating Drivers**

The ratings assigned to the bank facilities of Tufanganj Agro Industries Private Limited (TAIPL) are primarily constrained by its small scale of operation with low profitability margins, highly fragmented, competitive and cyclical industry, volatility in profit margins subject to government regulations and raw material price fluctuations, Moderate capital structure with satisfactory debt coverage indicators and working capital intensive nature of operations. The rating, however, derives strength from its experienced promoters with moderate track record of operation, proximity to paddy growing areas and stable demand for the product.

**Key Rating Sensitivities****Positive Factors**

- Sizeable increase in scale of operations from present level (Total Operating Income above Rs.80 crore) of the entity on a sustained basis.
- Improvement in capital structure with overall gearing ratio reaching comfortable below 1.00x on a sustained basis.

**Negative Factors**

- Any sizeable de-growth in scale of operations from present level (total operating income below Rs.30.00 crore with cash accruals below Rs.2.00 crore) on a sustained basis.
- Deterioration in capital structure with overall gearing ratio reaching higher than the level of 1.50x on a sustained basis.

**Detailed Rationale & Key Rating Drivers****Key Rating Weaknesses*****Small scale of operation with moderate profitability margins***

The company is a small player in rice milling business with total operating income of Rs. 32.90 crore and ended up with a net profit of Rs. 1.11 crore, during FY19. Furthermore, the total capital employed was also modest at Rs.12.85 crore as on March 31, 2019. The small scale restricts the financial flexibility of the company in times of stress. During 9MFY19, the company has achieved total operating income of around Rs.32.91 crore. This apart, profitability margin remained moderate, where PBILDT and PAT margin was 9.70% and 3.39%, respectively, during FY19.

***Highly fragmented, competitive and cyclical industry***

Cooch Behar and nearby districts of West Bengal has many rice mills. The high fragmentation and competitive nature of industry due to low entry barriers and presence of a large number of players in the organized and unorganized sector puts pressure on the profitability margins.

***Volatility in profit margins subject to government regulations and raw material price fluctuations***

TAIPL is into processing and milling of rice from paddy. The raw material cost forms over 95% of the total cost during FY19 for the company. The Government of India (GoI), every year decides a minimum support price (MSP - to be paid to paddy growers) for paddy which limits the bargaining power of rice millers over the farmers. The sale of rice in the open market is also regulated by the government. Given the market determined prices for finished product vis-à-vis fixed acquisition cost for raw material, the profitability margins are highly vulnerable. Such a situation does not augur well for the company, especially in times of high paddy cultivation.

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications.

### **Moderate capital structure with satisfactory debt coverage indicators**

Overall gearing ratio of the entity, although improved significantly, remained moderate at 1.28x as on March 31, 2019 vis-a-vis 1.98x as on March 31, 2018. Improvement in capital structure was due to scheduled repayment of term loan and lower utilisation of cash credit limits as on the balance sheet date. The debt coverage indicators represented by total debt to GCA has also improved in FY19 over FY18 and remained moderate at 3.19x as on March 31, 2019. The same has improved mainly on account of lower debt levels as on balance sheet date closing date. Moreover, the Interest coverage ratio marginally improved to 5.03x in FY19 from 4.53x in FY18 on account of increase in PBILDT level.

### **Working capital intensive nature of operation**

Paddy, the main raw material for TAIPL is available at reasonable prices during crop season, from October to January. Owing to the seasonality of rice harvest, the business requires maintaining higher raw material inventory. Accordingly, the working capital intensity remains high. Efficient management of working capital requirement is a key rating sensitivity. Also, paddy cultivation is highly dependent on monsoon, thus exposing the fate of the company's operation to vagaries of nature. The average utilisation during last 12 months ended Jan.2020 was around 81%.

### **Key Rating Strength:**

#### **Experienced promoters with moderate track record of operation**

TAIPL is currently managed by Mr. Ranjit Sil, Director, along with other three directors. All the directors are having around two decade of experience in similar line of business. This apart, the company started from 2012, thus having moderate track record of operation.

#### **Proximity to paddy growing areas**

TAIPL plant is located at Cooch Behar district of West Bengal which is in proximity to the paddy growing areas of the country. Hence, TAIPL's presence in the paddy growing region results in benefits derived from a lower logistic expenditure (both on transportation and storage), easy availability and procurement of raw materials at effective prices.

#### **Stable demand for the product**

Rice is one of the major food grains in India and it is considered as the most widely consumed staple food grain across the country. Accordingly the demand prospect of rice is expected to remain stable throughout the year due to dependence of the majority of Indian population on rice.

### **Liquidity analysis:**

**Liquidity: Adequate** - Liquidity is marked by sufficient cushion in accruals vis-a-vis repayment obligations and modest cash balance of Rs.1.97 crore as on March 31, 2019. However, the average utilization of cash credit remained around 81% during last 12 month ended on January, 2020. However, the current ratio remained below unity at 0.90x as on March 31, 2019.

**Analytical approach:** Standalone

### **Applicable Criteria**

[Criteria on assigning 'outlook' and 'credit watch'](#)

[Rating Methodology-Manufacturing Companies](#)

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

[Criteria for Short Term Instruments](#)

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

### **About the Company**

West Bengal based Tufanganj Agro Industries Private Limited (TAIPL) was incorporated in June 2012 to initiate a rice milling business. In this view, the company has installed a processing unit at Tufanganj in Cooch Behar with an installed capacity of 24,000 MTPA. The company produce rice and rice bran.

The day-to-day affairs of the company are looked after by Mr. Ranjit Sil (director) along with other three directors and a team of experienced personnel.

<b>Brief Financials (Rs. crore)</b>	<b>FY18 (A)</b>	<b>FY19(A)</b>	<b>9MFY20 (prov.)</b>
Total operating income	35.79	32.90	32.91
PBILDT	2.87	3.19	3.20
PAT	0.46	1.11	1.36
Overall gearing (times)	1.98	1.28	0.96
Interest coverage (times)	4.53	5.03	5.08

A: Audited

**Status of non-cooperation with previous CRA:** Issuer Not Cooperating from BWR as per press release dated February 12, 2020.

**Any other information:** Not Applicable.

**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	-	-	-	6.50	CARE BB-; Stable
Fund-based - LT-Term Loan	-	-	March 2021	0.80	CARE BB-; Stable
Non-fund-based - ST-Bank Guarantees	-	-	-	0.75	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	6.50	CARE BB-; Stable	-	1)CARE BB-; Stable (04-Mar-19)	-	-
2.	Fund-based - LT-Term Loan	LT	0.80	CARE BB-; Stable	-	1)CARE BB-; Stable (04-Mar-19)	-	-
3.	Non-fund-based - ST-Bank Guarantees	ST	0.75	CARE A4	-	1)CARE A4 (04-Mar-19)	-	-

**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](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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