

Merchant Agri Global Private Limited: Reaffirmed

Facilities	Amount (Rs Crore)	Ratings/Outlook
Cash Credit	25.00*	SMERA BBB-/Stable (Reaffirmed)
Cash Credit	15.00	SMERA BBB-/Stable (Reaffirmed)
Cash Credit	10.00**	SMERA BBB-/Stable (Reaffirmed)
EPC/PCFC	25.00#	SMERA A3 (Reaffirmed)
EPC/FBD	20.00##	SMERA A3 (Reaffirmed)
EPC/PCFC	15.00^	SMERA A3 (Reaffirmed)
PSR	1.30	SMERA A3 (Reaffirmed)
Forward Cover	1.20	SMERA A3 (Reaffirmed)

* Letter of Credit and Letter of Guarantee of Rs.10.00 crore and Rs.5.00 crore respectively – sublimit within Cash Credit

** Bank Guarantee of Rs.3.00 crore – sublimit within Cash Credit

Post Shipment Credit of Rs.25.00 crore - sub limit within Export Packing Credit/Pre-shipment credit in Foreign Currency

Derivative of Rs.0.60 crore – sub limit within Export Packing Credit/Foreign Bills Discounting

^Foreign Bills Discounting of Rs.15.00 crore - sub limit within Export Packing Credit/Pre-shipment credit in Foreign Currency

SMERA has reaffirmed the long-rating of **'SMERA BBB-' (read as SMERA triple B minus)** and short-term rating of **'SMERA A3' (read as SMERA A three)** on the above mentioned bank facilities of Merchant Agri Global Private Limited (MAGPL). The outlook is **'Stable'**.

The ratings continue to be supported by the promoter's extensive experience in the agro commodities industry and above average scale of operations. The ratings also note the stable profitability of the company. However, the ratings continue to be constrained by the working capital intensive operations, susceptibility of operating margins to volatility in raw material prices and intense competition in the highly fragmented agro commodity trading industry.

Incorporated in 2006, the Madhya Pradesh-based MAGPL was promoted by Mr. Abhishek Agrawal and family. The company is engaged in the trading and export of agricultural commodities mainly animal feed, de-oiled rice bran, millet, maize, wheat and rice among others.

Update

For FY2015-16 (refers to financial year, April 01 to March 31), MAGPL registered net profit of Rs.4.51 crore on operating income of Rs.651.14 crore as compared to net profit of Rs.5.93 crore on operating income of Rs.658.94 crore as on March 31, 2015.

MAGPL's operating profit margins have remained stable with 3.02 per cent for FY2016 as against 3.13 per cent for FY2015. The financial risk profile has remained comfortable with increased net worth of Rs.34.62 crore as on March 31, 2016 as against Rs.25.69 crore as on March 31, 2015. Also, the TOL/TNW (total outside liability to total net worth) improved to 2.89 times as on March 31, 2016 as compared to 4.59 times as on March 31, 2015 on account of equity infusion by the promoters.

Rating Sensitivity Factors

- Improvement in revenues and profitability
- Movement in gearing and coverage indicators
- Efficient working capital management
- Changes in the financial risk profile

Outlook-Stable

SMERA believes that MAGPL will continue to benefit over the medium term from its promoters extensive industry experience and funding support. The outlook may be revised to 'Positive' in case of increase in the scale of operations and profitability leading to improvement in the financial risk profile. Conversely, the outlook may be revised to 'Negative' if the financial risk profile deteriorates on account of low profitability/revenue or if any debt-funded capital expenditure is undertaken. Also, substantial increase in working capital requirement resulting in weakening of the liquidity profile may also entail a 'Negative' outlook.

Criteria applied to arrive at the rating:

- Trading Entities

About the Company

Incorporated in 2006, MAGPL was promoted by Mr. Abhishek Agrawal and family. The company is engaged in the trading and export of agricultural commodities mainly animal feed raw materials, de-oiled rice bran, millet, maize, wheat, rice among others. The day-to-day operations are managed by Mr. Abhishek Agrawal (Managing Director).

The company reported profit after tax (PAT) of Rs. 4.51 crore on operating revenue of Rs.651.14 crore for FY2015-16, as compared with PAT of Rs.5.93 crore on operating revenue of Rs.658.94 crore in the previous year.

Rating History

Date	Facilities	Amount (Rs. Crore)	Ratings		Rating Outlook
			Long Term	Short Term	
26 Oct, 2015	Cash Credit	25.00*	SMERA BBB-(Assigned)	-	Stable
	Cash Credit	15.00	SMERA BBB-(Assigned)	-	Stable
	Cash Credit	10.00**	SMERA BBB-(Assigned)	-	Stable
	EPC/PCFC	25.00#	-	SMERA A3 (Assigned)	-
	EPC/FBD	20.00##	-	SMERA A3 (Assigned)	-
	EPC/PCFC	15.00^	-	SMERA A3 (Assigned)	-
	PSR	1.30	-	SMERA A3 (Assigned)	-
	Forward Cover	1.20	-	SMERA A3 (Assigned)	-

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ABOUT SMERA

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