

Press Release

Merchant Agri Global Private Limited (MAGPL)

09 March, 2018



Rating Downgraded

Total Bank Facilities Rated*	Rs.112.50 Cr.
Long Term Rating	SMERA BB+/ Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has downgraded the long term rating to '**SMERA BB+**' (read as **SMERA double B plus**) from '**SMERA BBB-**' (read as **SMERA triple B minus**) and short term rating to '**SMERA A4+**' (read as **SMERA A four plus**) from '**SMERA A3**' (read as **SMERA A three**) on the Rs. 95.00 cr. bank facilities of Merchant Agri Global Private Limited (MAGPL). The outlook is '**Stable**'.

Further SMERA has assigned long term rating of '**SMERA BB+**' (read as **SMERA double B plus**) and short term rating to '**SMERA A4+**' (read as **SMERA A four plus**) (read as **SMERA A four plus**) on the Rs. 17.50 cr. bank facilities of Merchant Agri Global Private Limited (MAGPL). The outlook is '**Stable**'.

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

Key rating drivers

Strengths

Established track record of operations and experience management

MAGPL was incorporated in 2006 promoted by Mr. Abhishek Agarwal and family. They are involved in the similar line of business from more than two decades. Over the years the promoters have gained insight about the agri commodities industry and have developed healthy customers and supplier relations. SMERA believes that promoter's extensive industry experience and their relations with the customers and suppliers would help the company to sustain its existing business risk profile.

Above average scale of operations

The company has reported revenues of Rs. 600 crore in 2016-17; further the company has registered revenue of Rs.435.00 crore for the period April 2017 to February 2018 and the company is expecting revenues of around Rs. 500.00 crore in FY2017-18. The scale of operations has substantially declined in the past two years on account of increase in raw material prices like soya.

Comfortable working capital operations

The company has comfortable working capital operations marked by Gross Current Asset (GCA) of 92 days in FY2017 compared to 71 days in FY2016. Further the debtor and inventory days stood at 34 and 47 in FY2017. SMERA believes that the efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

Weaknesses

Agro climatic risks

Soya seeds the main raw material for the company is a seasonal crop the prices of which are highly volatile and depend upon various factors including monsoon acreage under cultivation government regulations etc. As a result the company's profit margins are exposed to agro climatic risks.

Operating in a highly fragmented agro commodity trading industry

The agro-commodities industry is highly competitive with several organised as well as unorganised players and low entry barriers.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of MAGPL to arrive at the rating.

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.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	600.05	651.14	658.94
EBITDA	Rs. Cr.	15.30	19.66	20.60
PAT	Rs. Cr.	2.11	4.51	5.93
EBITDA Margin	(%)	2.55	3.02	3.13
PAT Margin	(%)	0.35	0.69	0.90
ROCE	(%)	12.38	16.13	19.80
Total Debt/Tangible Net Worth	Times	2.60	2.48	3.85
PBDIT/Interest	Times	1.28	1.53	1.77
Total Debt/PBDIT	Times	6.01	4.29	4.73
Gross Current Assets (Days)	Days	92	71	76

Any other information:

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Status of non-cooperation with previous CRA (if applicable):

Not Applicable

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
December01, 2016	Cash Credit	Long Term	25.00	SMERA BBB-/Stable (reaffirmed)
	Cash Credit	Long Term	15.00	SMERA BBB-/Stable (reaffirmed)
	Cash Credit	Long Term	10.00	SMERA BBB-/Stable (reaffirmed)
	Packing Credit	Short Term	25.00	SMERA A3 (reaffirmed)
	Post Shipment Credit	Short Term	20.00	SMERA A3 (reaffirmed)
	Packing Credit	Short Term	15.00	SMERA A3 (reaffirmed)
	PSR	Short Term	1.30	SMERA A3 (reaffirmed)
	Forward Cover	Short Term	1.20	SMERA A3 (reaffirmed)
October26, 2015	Cash Credit	Long Term	25.00	SMERA BBB-/Stable (reaffirmed)
	Cash Credit	Long Term	15.00	SMERA BBB-/Stable (reaffirmed)
	Cash Credit	Long Term	10.00	SMERA BBB-/Stable (reaffirmed)
	Packing Credit	Short Term	25.00	SMERA A3 (reaffirmed)

	Post Shipment Credit	Short Term	20.00	SMERA A3 (reaffirmed)
	Packing Credit	Short Term	15.00	SMERA A3 (reaffirmed)
	PSR	Short Term	1.30	SMERA A3 (reaffirmed)
	Forward Cover	Short Term	1.20	SMERA A3 (reaffirmed)

Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	25.00	SMERA BB+/ Stable (Downgraded)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA BB+/ Stable (Downgraded)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA BB+/ Stable (Downgraded)
Packing Credit	Not Applicable	Not Applicable	Not Applicable	15.00	SMERA A4+ (Downgraded)
Post Shipment Credit	Not Applicable	Not Applicable	Not Applicable	20.00	SMERA A4+ (Downgraded)
Packing Credit	Not Applicable	Not Applicable	Not Applicable	15.00	SMERA A4+ (Downgraded)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	15.00	SMERA BB+/ Stable (Assigned)
Proposed Short Term Facility	Not Applicable	Not Applicable	Not Applicable	2.50	SMERA A4+ (Assigned)

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ABOUT SMERA

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