

March 12, 2016

Facility	Amount (Rs. Crore)	Rating
Cash Credit	28.00	SMERA B+/Stable (Assigned)

SMERA has assigned long term rating of '**SMERA B+**' (**read as SMERA B plus**) on the above mentioned bank facility of Terai Overseas Private Limited (TOPL). The outlook is '**Stable**'. The rating is constrained by company's negative cash flows from operation and working capital nature of business marked by high inventory and debtor. The rating is also constrained by high volume low margin trading nature of business. However the rating draws support from experienced management and long track record of operations. The rating is also draws comfort from company's average financial risk profile marked by comfortable net worth and low gearing.

SMERA has treated the unsecured loans of Rs. 13.37 crore as quasi equity. This is because these loans are subordinated to bank debt and would be maintained in the business over the medium term.

Outlook: Stable

SMERA believes that the outlook on TOPL will remain stable over the medium term owing to the experienced management, average financial risk profile and long track record of operations. The outlook may be revised to 'Positive' if the company registers significant increment in revenue and profitability while maintaining the capital structure. Conversely, the outlook may be revised to 'Negative' if the financial risk profile deteriorates and the working capital cycle gets further elongated.

Rating Sensitivity Factors

- Increase in scale of operations and profitability
- Efficient working capital management.

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About the Company

TOPL incorporated in 1993 by Mr. Ajit Agarwal and Mr. Rajesh Singhania trades in agricultural commodities including sugar, jute, fabric among others.

For FY2014-15, TOPL reported profit after tax (PAT) of Rs.0.25 crore on total operating income of Rs.146.03 crore, as compared with PAT of Rs.0.10 crore on total operating income of Rs.150.94 crore in FY2013-14.

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