

Press Release

Tayal Agro Products

August 26, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs. 12.00 Cr.
Long Term Rating	SMERA B / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B**' (read as **SMERA B**) on the Rs. 12.00 crore bank facilities of Tayal Agro Products. The outlook is '**Stable**'.

Tayal Agro Products (TAP) was established in 2012 as a proprietorship firm and converted to a partnership concern in March 2015 with the induction of Mrs. Raj Rani as partner. The firm, led by Mr. Gagan Tayal and Mrs. Raj Rani is engaged in the trading of paddy, rice husk, rice bran among others. The firm procures paddy from local mandis/suppliers in Punjab and sells the same to clients in the domestic market.

Key Rating Drivers

Strengths

- **Experienced management**

The promoters, Mr. GaganTayal and Mrs. Raj Rani have extensive experience of over a decade in the agro commodity industry.

- **Proximity to rice growing areas**

The manufacturing facility is located at Sangrur (Punjab), which offers proximity to rice growing areas.

Weaknesses

- **Weak financial risk profile**

The financial risk profile is weak marked by low net worth, moderate gearing and low coverage indicators. The financial risk profile of TAP is marked by low net worth of Rs. 1.41 crore as on 31 March, 2017 (Provisional) compared to Rs.2.42 crore in FY2016. The gearing (debt-to-equity) stood at 1.36 times as on 31 March, 2017 (Provisional) compared to 2.02 times in the previous year. The total debt includes unsecured loans of Rs.0.05 crore and working capital limit of Rs.1.86 crore. The interest coverage ratio stood low at 1.05 times in FY2016-17 (Provisional) against 1.05 times in FY2015-16. The net cash accrual to total debt includes (NCA/TD) of Rs.0.02 times in FY2017 (Provisional) compared to 0.01 times in FY2016.

- **Significant decline in operating income and low profitability margins**

The operating income of the firm declined to Rs.10.11 crore in FY2017 (Provisional) compared to Rs.20.89 crore in FY2016 on account of decrease in sales due to demonetisation. The profitability margins stood low at 0.43 percent in FY2017 (Provisional) compared to 0.24 percent in FY2016.

- **Intense competition**

The firm faces intense competition from various players which is likely to have an impact on its operating performance and profitability.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of the firm.

Outlook: Stable

SMERA believes that the firm will maintain a stable outlook over the medium term owing to the management's extensive experience. The outlook may be revised to 'Positive' in case of sustained increase in revenues and improvement in financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of further deterioration of the financial risk profile.

About the Rated Entity - Key Financials

For FY2016-17 (Provisional), the firm reported profit after tax (PAT) of Rs.0.04 crore on operating income of Rs.10.00 crore compared with PAT of Rs.0.05 crore on operating income of Rs.20.89 crore in FY2015-16. The net worth stood at Rs.1.41 crore as on 31 March, 2017 (Provisional) against Rs.2.42 crore a year earlier.

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Trading Entities - <https://www.smera.in/criteria-trading.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>

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA B / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA B / Stable

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ABOUT SMERA

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