

Press Release

Mohanlal Shankarlal Agro Foods Private Limited

June 08, 2018

Rating Assigned (Suspension Revoked)



Total Bank Facilities Rated*	Rs. 9.12 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) on the Rs.9.12 crore bank facilities of Mohanlal Shankarlal Agro Foods Private Limited. The outlook is '**Stable**'.

Mohanlal Shankarlal Agro Foods Private Limited was incorporated in 2013 by Late. Mr. Shankarlal Agarwal, Mr. Sunil Agarwal and Mr. Sumeet Agarwal. The company belongs to Chakradhar group of companies and is engaged in processing and sorting of Basmati and Non- Basmati rice. The company owns two rice mills at Ramtek, Nagpur having installed capacity of 8 MTPH each and one small unit for processing. The company has its own brand name 'Kashmiri Kesar'. The commercial operations started from April 2017.

Key Rating Drivers

Strengths

- **Experienced management**

Mohanlal Shankarlal Agro Foods Private Limited (MSAFPL) was established in 2013 part of Chakradhar Group of companies. The company is engaged in cleaning, sorting, and grading of rice. Chakradhar Rice Mill which was incorporated in 1993 and Chakradhar Steams which was incorporated in 1981, both engaged in the business of rice processing. Both of these companies are managed by the same Directors. Mr. Sunil Agarwal and Mr. Sumeet Agarwal have experience of over four decades in the processing and trading of rice through these group entities. The company has its own brand name 'Kashmiri Kesar' which is being sold on PAN India basis. Acuite believes that MSAFPL will sustain its existing business profile on the back of the experienced management.

Weaknesses

- **Nascent stage of operations**

The company is into nascent stage of operations. The commercial production for MSAFPL started in April 2017 with an installed capacity of 8 metric tonnes per hour and the company has two manufacturing units of the same capacity. Further, the company has booked revenue of Rs.150.00 crore for the period April to March 2018. Acuite believes that the revenues of the company will grow over the medium term on the back of established brand name 'Kashmiri Kesar'.

- **Susceptibility of profitability margins to volatility in raw material prices and forex risk**

Paddy is the major raw material required and since rice is a seasonal crop and the production is highly dependent on monsoon season, the prices tend to fluctuate. The company is exposed to risk as paddy price is largely dependent on several external factors like international and domestic demand and productions.

- **Competitive and fragmented nature of rice milling business**

MSAFPL operates in a highly competitive and fragmented industry characterised by large number of unorganised as well as organised players, thereby affecting the profitability margins of the company.

Analytical Approach

Acuite has considered the standalone business risk and financial risk profile of Mohanlal Shankarlal Agro Foods Private Limited (MSAFPL) to arrive at this rating.

Outlook: Stable

Acuite believes that MSAFPL will maintain a 'Stable' outlook in the medium term on the back of long standing experience of the promoters. The outlook may be revised to 'Positive' in case the company registers higher than expected growth in revenues while improving profit margins. Conversely, the outlook may be revised to 'Negative' in case of deterioration in financial risk profile or working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	0.11	0.35	-
EBITDA	Rs. Cr.	0.01	0.01	-
PAT	Rs. Cr.	0.00	0.00	-
EBITDA Margin	(%)	5.83	4.03	-
PAT Margin	(%)	1.10	1.00	-
ROCE	(%)	0.08	0.31	-
Total Debt/Tangible Net Worth	Times	0.52	1.33	-
PBDIT/Interest	Times	1.23	1.33	-
Total Debt/PBDIT	Times	430.88	288.91	-
Gross Current Assets (Days)	Days	2890	919	-

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

None

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
24-Dec-2016	Term Loan	Long Term	4.12	ACUITE B / Stable (Suspended)
	Cash Credit	Long Term	5.00	ACUITE B / Stable (Suspended)
29-Sep-2015	Term Loan	Long Term	4.12	ACUITE B / Stable (Assigned)
	Cash Credit	Long Term	5.00	ACUITE B / Stable (Assigned)

***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	5.00	ACUITE B+ / Stable (Suspension revoked, Rating Assigned)
Term loans	Not Applicable	Not Applicable	Not Applicable	4.12	ACUITE B+ / Stable (Suspension revoked, Rating Assigned)

Contacts

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About Acuité Ratings & Research:

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