

## Press Release

### Mahalaxmi Paddy Products Private Limited

February 04, 2021

### Rating Reaffirmed



<b>Total Bank Facilities Rated*</b>	Rs.20.50 Cr. (Enhanced from Rs.17.00 Cr.)
<b>Long Term Rating</b>	ACUITE BB-/ Outlook: Stable (Reaffirmed)

\* Refer Annexure for details

### Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) on the Rs.20.50 crore bank facilities of Mahalaxmi Paddy Products Private Limited (MPPPL). The outlook is '**Stable**'.

Incorporated in the year 1990, Mahalaxmi Paddy Products Private Limited (MPPPL) is an Uttar Pradesh based company promoted by Mr. Arun Kumar Maheshwari and Mrs. Usha Maheshwari. The company is engaged in the processing, milling and trading of basmati rice. The manufacturing facility is located at Uttar Pradesh with an installed capacity of 8tons/hour where the plant runs for 16 hours, processing 128 tons of paddy with a utilization of 78%. The company is also engaged in the trading of basmati rice of other brands.

### Analytical Approach

Acuite has considered the standalone business and financial risk profiles of MPPPL to arrive at this rating.

### Key Rating Drivers

#### Strengths

- Established track record of operations and experienced management**

MPPPL was incorporated in 1990. The company has an operational track record of three decades in rice industry. The directors have an experience of over two decades in the aforementioned line of business. The long track record of operations and experience of management have helped the company maintain healthy relationship with its customers and suppliers. Acuite believes that MPPPL will sustain its existing business profile on the back of established track record of operations and experienced management.

#### Weaknesses

- Average financial risk profile**

The company has average financial risk profile marked by modest net worth, low gearing and average debt protection metrics. The net worth stood at Rs.10.04 crore as on 31 March, 2020 as against Rs.8.80 crore on 31 March, 2019 due to healthy accretion to reserves.

The company has followed a conservative financial policy in the past; the same is reflected through its gearing levels of 1.82 times as on March 31, 2019. The gearing improved to 0.99 times as on March 31, 2020. Total outside liabilities to tangible net worth (TOL/TNW) stood at 1.45 times) as on 31 March 2020 as against 2.08 times as on 31 March 2019.

The company on the other hand generated cash accruals of Rs.1.00 crore in FY2020 as against Rs.1.11 crore in FY2019. The NCA/TD and interest coverage ratio for FY2020 were moderate at 0.10 times and 1.75 times, respectively.

Acuite believes that the financial risk profile of the company is likely to remain average over the medium term, on account of moderate gearing and average debt protection metrics.

#### • Moderately intensive working capital management

The company's working capital management is moderately intensive marked by its Gross Current Asset (GCA) of around 121 days in FY2020 as against 133 days in FY2019. The firm has maintained an inventory holding period of 116 days as on 31 March, 2020 as against 127 days as on 31 March, 2019. The debtor days remained around 8 in FY2020 as against 9 days in FY2019. Acuite expects the working capital management of the company to remain moderately intensive over the medium term on account of its debt collection period.

#### Liquidity Position: Adequate

MPPPL has adequate liquidity marked by adequate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.1.00 crore for FY2020, with debt repayment obligations of Rs.0.07 crore for the same period. The cash accruals of the company are estimated to remain in the range of around Rs.1.31-Rs.1.87 crore during FY2021-23 against debt repayment obligations of Rs.0.39-Rs.0.70 crore in the same period. The company's working capital operations are moderately intensive, marked by GCA of 121 days for FY2020. The average bank limit utilization over the past nine months ended December 2020 remained low at around ~28.50 percent. The current ratio stood at 1.39 times as on 31 March, 2020.

Acuite believes that the liquidity of the company is likely to remain adequate over the medium term on account of adequate cash accruals against its debt repayments over the medium term.

#### Rating Sensitivities

- Scaling up of operations
- Stretch in working capital cycle leading to increased reliance on working capital borrowings

#### Outlook: Stable

Acuite believes that MPPPL will maintain a 'Stable' outlook on account of experienced management. The outlook may be revised to 'Positive' in case of significant improvement in working capital operations while maintaining revenues and profitability. Conversely, the outlook may be revised to 'Negative' in case of significant decline in scale of operations or elongation in the working capital cycle.

#### About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	58.61	59.72
PAT	Rs. Cr.	0.20	0.23
PAT Margin	(%)	0.34	0.38
Total Debt/Tangible Net Worth	Times	0.99	1.82
PBDIT/Interest	Times	1.75	1.83

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

Not Applicable

#### Any other information

None

#### Any Material Covenants

None

#### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Sector Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Trading Sector Entities - <https://www.acuite.in/view-rating-criteria-61.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

**Note on complexity levels of the rated instrument**
<https://www.acuite.in/view-rating-criteria-55.htm>
**Rating History (Upto last three years)**

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
11-Nov-2019	Cash Credit	Long Term	12.00	ACUITE BB-/Stable (Reaffirmed)
	Term Loan	Long Term	0.80 (Revised from Rs. 1.20 cr.)	ACUITE BB-/Stable (Reaffirmed)
	Letter of Credit	Short Term	0.85	ACUITE A4 (Withdrawn)
	Proposed Long Term Loan	Long Term	3.35 (Enhanced from Rs.2.95cr.)	ACUITE BB-/Stable (Reaffirmed)
19-Oct-2018	Cash Credit	Long Term	12.00	ACUITE BB-/Stable (Reaffirmed)
	Term Loan	Long Term	1.20	ACUITE BB-/Stable (Reaffirmed)
	Letter of Credit	Short Term	0.85	ACUITE A4 (Reaffirmed)
	Proposed Long Term Loan	Long Term	2.95	ACUITE BB-/Stable (Assigned)
13-Feb-2018	Cash Credit	Long Term	11.16	ACUITE BB-/Stable (Upgraded)
	Term Loan	Long Term	2.99	ACUITE BB-/Stable (Upgraded)
	Letter of Credit	Short Term	0.85	ACUITE A4 (Reaffirmed)

**\*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	15.00 (Enhanced from Rs.12.00 Cr.)	ACUITE BB-/ Stable (Reaffirmed)
Term Loan	Not Available	Not Applicable	Not Available	0.33	ACUITE BB-/ Stable (Reaffirmed)
Proposed Facilities	Not Applicable	Not Applicable	Not Applicable	5.17	ACUITE BB-/ Stable (Reaffirmed)

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## About Acuité Ratings & Research:

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