

Press Release

14 June, 2017



Mangal Murti Agro

Rating Assigned

Total Bank Facilities Rated *	Rs. 5.25 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. 5.25 crore bank facilities of Mangal Murti Agro. The outlook is '**Stable**'.

The Chhattisgarh-based Mangal Murti Agro (MMA), established as a partnership firm in 2015 is engaged in the processing of non-basmati parboiled rice at Dhamtari (Chhattisgarh) and has installed capacity of 80 tonnes per day. Promoted by Mr. Sanjay Chainwani, Ms. Priti Kela and Ms. Poonam Kela, the firm commenced commercial operations in December 2015.

Key Rating Drivers

Strengths

- **Experienced management**

The promoters have more than a decades experience in the agriculture and automobile industries.

- **Average financial risk profile**

The average financial risk profile is marked by high gearing, comfortable debt protection metrics and low networth. The debt equity stood at 3.52 times and interest coverage at 3.43 times in FY2016. The total debt of Rs 6.94 crore consists of Rs 3.02 crore of term loan, Rs 0.18 crore of CPLTD, Rs 0.05 crore of unsecured loan, Rs 1.94 crore of Cash credit facility and short term loan. Moreover, the NCA/TD stood at 0.05 times and Debt Service Coverage Ratio (DSCR) at 3.43 times in FY2016. The networth stood at Rs 1.97 crore in FY2016. For FY2017 (Provisional), the gearing (debt- equity ratio) stood at 1.18 and the net worth at 4.45. Moreover, the NCA/TD stood at 0.03 times and Debt Service Coverage Ratio (DSCR) at 1.48 times in FY2017 (Provisional).

Weaknesses

- **Modest scale of operations**

The commercial operations commenced in December 2015 and the firm reported revenue of around Rs. 4.79 crore in FY2016. For FY2017 (Provisional), the revenue stood at Rs 16.70 crore and is expected to improve over the medium term with stabilisation of operations.

- **Susceptibility to fluctuations in raw material prices**

The margins of the firm are highly susceptible to changes in the prices of paddy. The purchase price depends on the prevailing demand-supply situation and vagaries of monsoon.

- **Susceptibility to climatic conditions**

Paddy, the main raw material is a seasonal crop and production of the same is highly dependent upon the monsoon. Thus, inadequate rainfall may affect the availability of paddy in adverse weather conditions.

Analytical Approach

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

Outlook: Stable

SMERA believes that the outlook on MMA's rated facilities will remain stable over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case of more than envisaged sales and profitability. Conversely, the outlook may be revised to 'Negative' in case of failure in achieving the envisaged revenue, profitability or if the working capital cycle gets stretched deteriorating its financial risk profile.

About the Rated Entity - Key Financials

The firm reported profit after tax (PAT) of Rs 0.02 crore as against operating income of Rs 4.79 crore for its four months of operations (Dec 2015 to March 2016) in FY2015-16.

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>
- 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>

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
Term loans	Not Applicable	Not Applicable	31-Dec-2022	3.25	SMERA B / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	SMERA B / Stable

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ABOUT SMERA

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