Press Release

The Tripura Flour Mills

July 16, 2019

Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 12.00 Cr.
Long Term Rating	ACUITE BB/Stable (Reaffirmed)

** Refer Annexure for details*

Rating Rationale

Acuité has reaffirmed the long term rating of **'ACUITE BB' (read as ACUITE double B)** to the Rs. 12.00 crore bank facilities of The Tripura Flour Mills The outlook is **'Stable'**.

The Tripura Flour Mills (TTFL) was established in 2002 by Mr. Debashish Swami, Mr. Debojyoti Swami, Ms. Debomitra Swami and Ms. Shyamashree Swami. The firm is engaged in manufacturing of flour with an installed capacity of 220 MT per day with their unit in Dharmanagar district of Tripura. Besides, the company also provides cold storage facility with 5000 MT capacity.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of TTFM to arrive at the rating.

Key Rating Drivers:

Strengths

Experienced management

The partners, Mr. Debashish Swami, Mr. Debojyoti Swami, Ms. Debomitra Swami and Ms. Shyamashree Swami have experience of more than a decade in processing of flour and manufacturing of flour products.

Above average financial risk profile

The financial risk profile of the company is marked by moderate net worth, comfortable gearing and healthy debt protection metrics. The net worth stood moderate at Rs. 14.51 crore in FY2019 (Prov.), an increased from Rs. 11.86 crore in FY2018, mainly on account of accumulated profit. The gearing stood comfortable at 0.81 times in FY2019 (Prov.) as compared to 0.93 times in FY2018. The total debt of Rs. 11.73 crore consist of long term loan of Rs.4.46 crore and short term debt of Rs.7.26 as on 31 March, 2019 (Prov.). The interest coverage ratio (ICR) of the company stood moderate at 3.36 times in FY2019 (Prov.) as compared to 2.99 times in FY2018. The debt service coverage ratio (DSCR) of the company stood moderate at 1.74 times in FY2019 (Prov.) as compared to 1.83 times in FY2018. The net cash accruals against the total debt stood moderate at 0.21 times in FY2019 (Prov.) as compared to 0.27 times in FY2018.

Weaknesses

Moderate scale of operations and declining profitability

The scale of operations stood moderate at Rs.48.42 crore in FY2019 (Prov.) as compared to Rs.39.82 crore in FY2018. The operating margin continued to decline to 6.58 per cent in FY2019 (Prov.) as compared to 7.70 per cent in FY2018 and 8.64 per cent in FY2017. The net profit margin of the company also declined to 2.28 per cent in FY2019 (Prov.) as compared to 3.77 per cent in FY2018.

Volatility in raw material prices and finished goods

Margins of the company are susceptible to volatility in wheat prices. Any significant changes in wheat prices due to import pressure and over supply would have an impact on margins of the company.

Liquidity Position:

TTFM has the moderate liquidity marked by healthy net cash accruals of Rs.2.41 crore in FY2019 (Prov.) as against Rs.0.95 crore of long term debt obligations. The working capital of the company is moderately managed which marked by moderate gross current asset days of 113 in FY2019 (Prov.). This has also led to average reliance on working capital borrowings, the working capital limit in the company remains utilised at 80 percent during the last 6-month period ended June 2019.

Outlook: Stable

Acuité believes TTFM will maintain 'Stable' outlook over the medium term from its experienced management and healthy financial risk profile. The outlook may be revised to 'Positive' in case the firm registers higher-than-expected growth in revenues while achieving while maintaining financial risk profile. Conversely, the outlook may be revised to 'Negative' in case the firm fails to achieve the projected revenues, or in case of deterioration in the company's financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY19 (Prov.)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	48.42	39.82	39.96
EBITDA	Rs. Cr.	3.19	3.07	3.45
PAT	Rs. Cr.	1.10	1.50	1.23
EBITDA Margin	(%)	6.58	7.70	8.64
PAT Margin	(%)	2.28	3.77	3.08
ROCE	(%)	8.64	13.11	11.83
Total Debt/Tangible Net Worth	Times	0.81	0.93	1.00
PBDIT/Interest	Times	3.36	2.99	3.25
Total Debt/PBDIT	Times	3.42	2.48	3.00
Gross Current Assets (Days)	Days	113	128	129

Status of non-cooperation with previous CRA (if applicable)
None

Any other information
None

Applicable Criteria

- Default Recognition -https://www.acuite.in/view-rating-criteria-17.htm
- Manufacturing Entities -https://www.acuite.in/view-rating-criteria-4.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. Cr)	Ratings/Outlook
04 May 2018	Cash Credit	Long Term	7.50	ACUITE BB/Stable (Assigned)
	Term Loan	Long Term	4.50	ACUITE BB/Stable (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.50	ACUITE BB/Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	4.50	ACUITE BB/Stable (Reaffirmed)

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About Acuité Ratings & Research:

Acuité Ratings & Research Limited *(Erstwhile SMERA Ratings Limited)* is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.