

## Press Release



### The Tripura Flour Mills

October 07, 2020

#### Rating upgraded

<b>Total Bank Facilities Rated</b>	Rs. 12.00 crore
<b>Long Term Rating</b>	ACUITE BB+/ Stable (Upgraded from ACUITE BB/Stable)

#### Rating Rationale

Acuité has upgraded the long term rating to '**ACUITE BB+**' (**read as ACUITE double B plus**) from '**ACUITE BB**' (**read as ACUITE double B**) on the Rs.12.00 crores bank facilities of The Tripura Flour Mills (TTFM). The outlook is '**Stable**'.

The rating upgrade is driven by a sharp improvement in the profitability margins of the company coupled with improvement in the overall financial risk profile of the company. TTFM has achieved profit after tax(PAT) margin of 4.63 per cent in FY2020(Provisional) as compared to 2.94 percent a year ago. The debt protection metrics of the firm have also improved marked by Interest Coverage Ratio which stood at 5.51 times in FY2020(provisional) as against 3.43 times in FY2019 and Debt Service Coverage Ratio(DSCR) stood at 2.34 times in FY2020(provisional) as against 1.52 times in FY2019. Further, the firm has been able to manage its liquidity position even during the pandemic.

The Tripura Flour Mills (TTFL) is a partnership firm, established in 2002. The firm is promoted by Mr. Debashish Swami, Mr. Debojoyoti Swami, Ms. Debomitra Swami and Ms. Shyamashree Swami. The firm is engaged in processing wheat to produce maida, suji, atta and bran with an installed capacity of 220 MT per day with their units situated at Dharmanagar district of Tripura. Additionally, the firm also has a cold storage facility with 5000 MT capacity. The firm procures potatoes and stores the same in the cold storage facility.

#### Analytical Approach

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

#### Key Rating Drivers

##### Strengths

- **Experienced management**

The partners, Mr. Debashish Swami, Mr. Debojoyoti Swami, Ms. Debomitra Swami and Ms. Shyamashree Swami have experience of more than two decades in processing and manufacturing of flour products. Acuité believes that TTFM shall continue to benefit from the extensive industry experience of its promoters in improving its business risk profile over the medium term.

- **Comfortable financial risk profile**

The firm's financial risk profile is marked by moderate net worth, low gearing and healthy debt protection metrics. The net worth of the firm increased to Rs.15.49 crores as on March 31, 2020(Provisional), compared to Rs.13.55 crores on March 31, 2019 due to retention of profits. The firm's gearing stood low at 0.57 times as on March 31, 2020(Provisional) as against 0.69 times as on March 31, 2019. The debt of Rs.8.77 crores mainly consists of a working capital loan of Rs.7.30 crores as on March 31, 2020 (Provisional). The healthy debt protection metrics of the firm is marked by Interest Coverage Ratio which stood at 5.51 times in FY2020 (provisional) as against 3.43 times in FY2019 and Debt Service Coverage Ratio (DSCR) stood at 2.34 times in FY2020(provisional) as against 1.52 times in FY2019 due to improvement in profitability metrics. The NCA/TD (Net Cash accruals to total debt) stood at 0.40 times in FY2020 (provisional) as compared to 0.29 times in FY2019. Acuité believes that the financial risk profile of the firm to remain the same due to moderate accruals in the medium term and in the absence of debt-funded capex plan.

## Weaknesses

- **Moderately working capital intensive operations**

The operations of the firm have remained moderately working capital intensive marked by Gross Current Asset (GCA) days, of 119 days in FY2020 (provisional) as against 100 days in FY2019. This is mainly on account of high other current assets of Rs.5.40 crores in FY2020 (Provisional) compared to Rs. 2.94 crores in FY2019. The inventory days stood at 57 days in FY2020 (Provisional) compared to 35 days in FY2019. The firm has to maintain a significant amount of inventory due to volatility in raw material prices. The debtors stood at 15 days in FY2020 (Provisional) against 9 days in FY2019 respectively. Acuité believes that the improvement in working capital management will remain a key credit monitorable.

- **Exposure to agro-climatic risk and government regulations**

Wheat is the main raw material for the production of aata, maida, suji. The production of wheat mainly depends on agro-climatic conditions. Any adverse change in the agro-climatic conditions may interrupt the supply chain of wheat. Further, the prices of wheat are highly regulated by the government through MSP (Minimum Support Price) that may create pressure on TTFM's profitability.

## Rating Sensitivity

- Sustained improvement in debt protection metrics
- Improvement in working capital management

## Material Covenants

None

## Liquidity Profile: Adequate

The firm's liquidity is adequate marked by moderate cash accruals of Rs.3.54 crore in FY2020 (provisional) against debt repayments of Rs. 1.47 crores during the same financial year. The net cash accruals are expected to be ranging from Rs.3.75 crores to Rs.4.25 crores over the medium term against no major debt repayment obligation over the medium term. The current ratio stood at 1.79 times as on March 31, 2020 (Provisional) as compared to 1.76 times as on March 31, 2019. The unencumbered cash and bank balances stood at Rs.2.00 crores as on March 31, 2020 (Provisional). The firm has not availed any loan moratorium or COVID loan. However, the firm's operations are moderately working capital intensive marked by high gross current asset (GCA) days of 119 days in FY2020 (provisional) compared to 100 days in FY2019. The bank limit remains utilized at 93 percent over six months ended on August, 2020. Acuité believes that the liquidity of the firm will remain at an adequate level supported by moderate accruals and absence of debt-funded capital expenditure plans over the medium term.

## Outlook: Stable

Acuité believes that the outlook on TTFM will remain 'Stable' over the medium term on account of experienced management and comfortable financial risk profile. The outlook may be revised to 'Positive' in case of sustained improvement in the firm's financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of deterioration in profitability metrics of the firm or further elongation in the working capital cycle.

## About the Rated Entity - Key Financials

	Unit	FY20 (Prov)	FY19 (Actual)
Operating Income	Rs. Cr.	52.77	53.95
PAT	Rs. Cr.	2.44	1.58
PAT Margin	(%)	4.63	2.94
Total Debt/Tangible Net Worth	Times	0.57	0.69
PBDIT/Interest	Times	5.51	3.43

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

Not applicable

## Any other information

Not Applicable

### Applicable Criteria

- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Application of Financial Ratios and Adjustments- <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.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
16-July-2019	Cash Credit	Long Term	7.50	ACUITE BB/Stable (Reaffirmed)
	Term Loan	Long Term	4.50	ACUITE BB/Stable (Reaffirmed)
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 (Rs.) Crore	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.49	ACUITE BB+/Stable (Upgraded)
Term Loan	Not Available	Not Available	Not Available	2.46 (Reduced from 4.50)	ACUITE BB+/Stable (Upgraded)
Proposed bank facility	Not Applicable	Not Applicable	Not Applicable	2.05	ACUITE BB+/Stable (Upgraded)

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**About Acuité Ratings & Research:**

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