

Press Release

The Tripura Flour Mills

March 28, 2023

Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	12.00	ACUITE BB+ Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	12.00	-	-

Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) on the Rs.12.00 Cr bank facilities of The Tripura Flour Mills (TTFM). The outlook remains '**Stable**'.

Rationale for the rating

The rating reaffirmation considers the experienced management of TTFM and the above average financial risk profile marked by healthy debt coverage indicators. These strengths are, however, offset by the modest scale of operations, the susceptibility to the agro-climatic risks and the risk of capital withdrawal.

About the Firm

Established in 2002, The Tripura Flour Mills (TTFM) is a partnership firm, promoted by Mr. Debashish Swami, Mr. Debojyoti Swami, Ms. Debomitra Swami and Ms. Shyamashree Swami. The firm is engaged in the processing of wheat in order to produce maida, suji, atta and bran. TTFM has two units in Dharmanagar, Tripura, one is Modern Flour Mill unit with an installed capacity of 120 MT per day and the other one is Old Tripura Flour Mill unit with an installed capacity of 100 MT per day. Further, the firm also has a cold storage facility which stores potatoes procured from the market.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of TTFM while arriving at the rating.

Key Rating Drivers

Strengths

Experienced management

The operations of TTFM is managed by Mr. Debashish Swami, Mr. Debojyoti Swami, Ms. Debomitra Swami and Ms. Shyamashree Swami having an experience of more than two decades in the processing industry. Moreover, the firm has established a long presence of over a decade in the industry thereby, ensuring the smooth flow of operations by establishing long term relationships with the clientele. Acuité derives comfort from the experience of the management and the long standing operations of the firm.

Above average financial risk profile

The firm's above average financial risk profile is marked by improving net worth, low gearing and healthy debt protection metrics. The tangible net worth of the firm increased to Rs.19.18 Cr as on March 31, 2022 as compared to Rs.17.84 Cr as on March 31, 2021 due to retention of profits. Gearing of the firm stood at 0.34 times as on March 31, 2022 as against 0.27 times as on March 31, 2021 due to low dependence on debt. Moreover, the healthy debt protection metrics of the firm is marked by Interest Coverage Ratio at 6.71 times in FY2022 and Debt Service Coverage Ratio (DSCR) at 2.81 times in FY2022. The Net Cash Accruals/Total Debt (NCA/TD) stood at 0.57 times in FY2022. Acuité believes that the financial risk profile of the firm will remain above average owing to the improving accruals over the medium term and in absence of major debt funded capex plan.

Weaknesses

Modest scale of operations

The scale of operations of the firm though improved but remained modest with revenues of Rs.58.69 Cr in FY2022 as compared to Rs.55.85 Cr in FY2021. Further, TTFM has achieved operating income of Rs.60.70 till February, 2023 (provisional). The rise in revenues is supported by the favourable demand for the wheat products in the market.

The operating margin of the firm marginally rose to 6.06 per cent in FY2022 as compared to 5.67 per cent in FY2021 due to better price realizations. The PAT margin slightly increased to 4.99 per cent in FY2022 as against 4.49 per cent in FY2021. Acuité believes that ability of the company to improve its scale of operations while maintaining the profitability margins will be a key rating sensitivity.

Risk of capital withdrawal

Acuité notes that the firm has been withdrawing capital from their business regularly in the past three years till FY2022. Any withdrawal over and above the undertaken amount could have a negative bias to the rating.

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. Acuité believes 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 Sensitivities

- Sustenance of the capital structure
- Growth in the scale of operations while improvement in the profitability margins
- Maintenance of minimum capital

Material covenants

None

Liquidity Position: Adequate

The firm's liquidity is adequate marked by net cash accruals of Rs.3.77 Cr in FY2022 as against debt repayment of Rs. 0.92 Cr over the same period. Moreover, the working capital management is efficient marked by low Gross Current Asset (GCA) days of 64 days in FY2022 as against 75 days in FY2021. The cash and bank balances stood at Rs.0.70 Cr as on March 31, 2022. The current ratio stood moderate at 1.15 times as on March 31, 2022 as compared to 1.97 times as on March 31, 2021. However, the fund based bank limit remains utilized at 93 per cent over the six months ended on January, 2023. Acuité believes that the liquidity of the firm will remain adequate owing to the improving accruals.

Outlook: Stable

Acuité believes that the outlook of the firm will remain 'Stable' over the medium term on

account of the long track record of operations, experienced management, the above average financial risk profile and the modest scale of operations. The outlook may be revised to 'Positive' in case of significant growth in revenue while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the firm's revenues or profit margins, or in case of deterioration in the firm's financial risk profile or deterioration in the liquidity position.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	58.69	55.85
PAT	Rs. Cr.	2.93	2.51
PAT Margin	(%)	4.99	4.49
Total Debt/Tangible Net Worth	Times	0.34	0.27
PBDIT/Interest	Times	6.71	5.75

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- 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>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
28 Dec 2021	Proposed Bank Facility	Long Term	2.05	ACUITE BB+ (Issuer not co-operating*)
	Cash Credit	Long Term	7.49	ACUITE BB+ (Issuer not co-operating*)
	Term Loan	Long Term	2.46	ACUITE BB+ (Issuer not co-operating*)
07 Oct 2020	Term Loan	Long Term	2.46	ACUITE BB+ Stable (Upgraded from ACUITE BB Stable)
	Cash Credit	Long Term	7.49	ACUITE BB+ Stable (Upgraded from ACUITE BB Stable)
	Proposed Bank Facility	Long Term	2.05	ACUITE BB+ Stable (Upgraded from ACUITE BB Stable)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Axis Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	9.99	ACUITE BB+ Stable Reaffirmed
Axis Bank	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	1.10	ACUITE BB+ Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	0.91	ACUITE BB+ Stable Reaffirmed

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About Acuité Ratings & Research

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