



Press Release
The Tripura Flour Mills
June 25, 2024
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

Acuite 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 capitals structure and debt coverage indicators and efficient working capital management. The company's revenue increased to Rs 74.60 Cr. in FY2023 as against Rs 58.86 Cr. in FY2022. Further, the company has achieved revenues of around Rs 77.82 Cr. till FY2024 as per estimates. The increase in revenue in FY2023 can be attributed to the improved demand, leading to better utilization of the production capacity. Although the firm's revenues have remained at similar levels during last year. The operating margin of the company was estimated to be at 7.19 percent in FY 2024(estd.) increased to 7.20 per cent in FY2023 from 6.33 per cent in FY2022. The increase in operating margin in FY2023 is because of the similar reason mentioned above and the company being a dominant player in the market has attained better quality of wheat. The financial risk profile of the firm is marked by improving net worth, comfortable gearing and healthy debt protection metrics. The tangible net worth of the firm increased to Rs. 24.58 Cr. in FY 24 (estd.) from Rs.20.93 Cr. as on FY2023 as compared to Rs.19.18 Cr. as on FY2022 due to retention of profits. However, these strengths are, however, offset by the exposure to agro-climatic risk and government regulations.

About the Company

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.

Unsupported Rating

Not Applicable

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 financial risk profile of the firm is marked by improving net worth, comfortable gearing and healthy debt protection metrics. The tangible net worth of the firm increased to Rs. 24.58 Cr. in FY 2024 (estd) from Rs.20.93 Cr. as on FY2023 as compared to Rs.19.18 Cr as on FY2022 due to retention of profits. The gearing of the firm stood at 0.40 times on FY 2024 (estd) and 0.50 times as on FY2023 as against 0.34 times as on FY2022 due to low dependence on debt. Moreover, the healthy debt protection metrics of the company is marked by Interest Coverage Ratio at 6.84 times FY 2024 (estd) compared to 7.32 times in FY2023 and Debt Service Coverage Ratio (DSCR) is also at the same level 4.77 times in FY2023. The Net Cash Accruals/Total Debt (NCA/TD) stood at 0.50 times in FY 2024 (estd) .

Going forward, Acuité believes that the financial risk profile of the firm will remain above average owing to improving accruals over the medium term and in absence of major debt funded capex plan.

Efficient working capital management

The working capital cycle of the company as reflected by Gross Current Assets (GCA) of 64 days for FY2024 (estd.) of 65 days for FY2023 as compared to 64 days in FY2022. The debtor period stood at 17 days as on FY2024(estd.) and FY2023, remained consistent with the previous year. Further, the inventory days of the company stood at 44 days in FY2024(estd.) and 46 days in FY2023 as compared to 43 days in FY2022. Creditors stood at 13 days FY2024(estd.) and 8 days as of FY2023 but according to the company approximately 70-80% of the payments are made within the first 5-6 days with the remaining payments completed in the next 3-4 days. Acuité believes that the working capital management will remain around similar levels owing to the efficient collection mechanism and comfortable inventory cycle.

Weaknesses

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 Sensitivities

- Improvement in revenues while sustaining margins
- Improvement in working capital management

Liquidity Position

Adequate

The firm's liquidity is adequate marked by net cash accruals of Rs.4.94 Cr. in FY2024(estd.) as against debt repayment of Rs 0.56 Cr. over the same period. Moreover, the working capital management is efficient marked by marginal high Gross Current Asset (GCA) days of 64 days in FY2024 (estd.) as against 65 days in FY2023. The current ratio stood comfortable at 1.56 times as on FY2024 (estd.) as compared to 1.39 times as on FY2023. The cash and bank balances stood at Rs.0.93 Cr as on FY2023. However, the bank limit remains utilized at average of 70 percent over six months ended on May, 2024. The reason behind reduced bank limit utilization accounts for defined planning while procurement of wheat; with a view of near future and better pricing opportunities for the same. The company believes in avoiding to procure from the harvest that happened a year earlier and furthermore, the rationale is to

wait for cool down in prices and accordingly procure efficiently. Acuité believes that the liquidity of the firm will remain adequate owing to the gradually 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. 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 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	74.60	58.86
PAT	Rs. Cr.	3.59	2.93
PAT Margin	(%)	4.82	4.97
Total Debt/Tangible Net Worth	Times	0.50	0.34
PBDIT/Interest	Times	7.32	6.71

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

Not Applicable

Any other information

None

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 Mar 2023	Cash Credit	Long Term	9.99	ACUITE BB+ Stable (Reaffirmed)
	Covid Emergency Line.	Long Term	1.10	ACUITE BB+ Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	0.91	ACUITE BB+ Stable (Reaffirmed)
28 Dec 2021	Cash Credit	Long Term	7.49	ACUITE BB+ (Reaffirmed & Issuer not co-operating*)
	Proposed Long Term Bank Facility	Long Term	2.05	ACUITE BB+ (Reaffirmed & Issuer not co-operating*)
	Term Loan	Long Term	2.46	ACUITE BB+ (Reaffirmed & Issuer not co-operating*)

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 avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	9.99	ACUITE BB+ Stable Reaffirmed
Axis Bank	Not avl. / Not appl.	Covid Emergency Line.	Not avl. / Not appl.	Not avl. / Not appl.	12 Jun 2025	Simple	1.10	ACUITE BB+ Stable Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.91	ACUITE BB+ Stable Reaffirmed

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About Acuité Ratings & Research

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