

Press Release

Mahalaxmi Agro

June 22, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 14.00 Cr.
Long Term Rating	ACUITE B / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B**' (**read as ACUITE B**) and short term rating of '**ACUITE A4**' (**read as ACUITE A four**) on the Rs. 14.00 crore bank facilities of Mahalaxmi Agro (MA). The outlook is '**Stable**'.

Mahalaxmi Agro, based at Mahesana (Gujarat) was established in 2014. The firm operations are managed by Mr. Pritesh Patel and Mr. Kantilal Patel. The firm is engaged in manufacturing and processing of potato for selling of potato flakes as end product. The manufacturing facilities are located at Vijapur district in Mehesana with an installed capacity of 3000 MTPA.

Key Rating Drivers

Strengths

Location proximity

The firm enjoys proximity to raw materials i.e. potatoes as Gujarat is among the top five producers of potatoes. The manufacturing unit at Mahesana has many nearby cold storage facility providers which will benefit firm operationally and reduce logistic cost.

Experienced Partners

The key partners, Mr. Pritesh Patel, Mr. Kantilal Patel and Mr. Bhavin Patel have over 15 years of experience in agro commodities business through their association with various firms and companies. Other partners possess over two decade of experience in managing business operations, packaging and coating industry.

Weaknesses

Project implementation risk

The project is scheduled to be completed in September 2018 and the firm is expected to start its commercial production from December 2018 at an estimated fund outlay of Rs.16.04 crore. The said project cost is to be funded from Rs.8.42 crore through bank loans and the balance from own sources (partner's contribution and unsecured loans). Since the project completion till now has been around 60.00 percent, the said project is exposed to significant execution risk. Acuité believes that the timely completion of the project at the envisaged cost would be a key rating sensitivity factor.

Intense competition

The firm will face intense competition from number of large organised and unorganised players in potatoes processing industry. However, the same will reduce to certain level due to increasing in demand for the product

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of Mahalaxmi Agro.

Outlook: Stable

Acuité believes that MA will maintain a 'Stable' outlook in the medium term owing to the extensive experience of the partners. The outlook may be revised to 'Positive' in case the firm generates healthy cash flows from operations while achieving a healthy financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of delays in project implementation.

About the Rated Entity - Key Financials

Not Applicable: As Commercial Operations of the firm has not begun yet.

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

None

Any other information

None

Applicable Criteria

- Default Recognition -<https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.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. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.35	ACUITE B / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	1.67	ACUITE B / Stable
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.34	ACUITE B / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	9.00	ACUITE A4
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	0.64	ACUITE A4

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About Acuité Ratings & Research:

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