

Press Release

Manish Agrotech Limited

April 09, 2021

Rating Upgraded and Withdrawn



Total Bank Facilities Rated*	Rs. 11.00 Cr.
Long Term Rating	ACUITE BB (Upgraded from ACUITE BB-/Stable and Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuite has upgraded and withdrawn the long term rating of '**ACUITE BB**' (read as **ACUITE Double B**) from '**ACUITE BB-**' (read as **ACUITE Double B minus**) on the Rs. 11.00 crores bank facilities of Manish Agrotech Limited (MAL). The rating has been withdrawn on account of request received from the company and NOC received from the banker as per Acuite's policy.

The rating is upgraded on account of continuous growth in the operating income, significant improvement in the profitability levels backed by moderate financial risk profile, favorable industry prospects and adequate liquidity position of the company.

About the company

Manish Agrotech Limited (MAL) was incorporated in 1996 by the Chothwani family. The commercial production of the company started in 2008. The company is engaged in the manufacturing and trading of soya oil and soya de-oiled soya cakes. MAL has registered office at Indore and manufacturing facilities are located at Dhar District of Madhya Pradesh. The manufacturing (Processing) facility has an installed capacity to manufacture 500 MT of soya oil per day. The company also set up an edible oil refinery with an installed capacity of 100 MT to refine the crude oil extracted in the process.

Analytical Approach

Acuite has considered the standalone view of the financial and business risk profile of Manish Agrotech Limited (MAL) to arrive at this rating.

Key rating drivers

Strengths

• Long track record of operations and experienced management

Manish Agrotech Limited (MAL) has presence since 2008 and is promoted by Chothwani family. Before promoting MAL, the promoters have been engaged in the edible oil industry for almost three decades through the sister concerns and associates. The company is well supported by second line of management. The company has shown an increase in revenue marked by operating income of Rs.388.00 crore for FY2020 and Rs.285.78 crore for FY2019. The company has achieved revenue of Rs. 425.88 crores in 9MFY2021. The performance of the company is expected to improve further on back of favorable industry prospects and longstanding relationship with its existing customers and suppliers.

• Comfortable working capital operations

The company has moderate working capital operations marked by Gross Current Assets (GCA) of 101 days in FY2020 as against 105 days in FY2019. Increase in GCA days is majorly on account of high inventory holding period and receivables in FY2020 and FY2019. The inventory holding period stood at 80 days as on March 31, 2020 as against 66 days as on March 31, 2019. The receivables days also decreased to 10 days as on March 31, 2020 as against 27 days as on March 31, 2019. However, working capital limits stood higher which stood utilised at 95.04 percent for last six months ending February 2021.

Weaknesses

• Moderate financial risk profile

The financial risk profile has remained average marked by tangible net worth of Rs.23.21 crore as on March 31, 2020 as against Rs.21.87 crore as on March 31, 2019. The gearing (debt-to-equity) stood comfortable at 0.81 times as on March 31, 2020 as against 0.91 times as on March 31, 2019. The total debt outstanding of Rs. 18.80 crore as on March 31, 2020 consist of long term borrowing of Rs. 8.23 crore, unsecured loans of Rs.0.59 crore and working capital borrowing of Rs.9.98 crore. The interest coverage ratio stood at 1.72 times as on March 31, 2020 as against 2.01 times as on March 31, 2019. Total outside liabilities to tangible net worth (TOL/TNW) increased to 3.83 times as on March 31, 2020 as against 3.12 times as on March 31, 2019.

• Susceptibility to fluctuations in raw material price

The company is engaged in the extracting and refining of edible oil. The prices of crude edible oil are volatile in nature; hence, the profitability is highly susceptible. The same is reflected in operating margin stood same level at 1.50 percent in FY2020 as against 1.51 percent in FY2019. The net profit margin stood low at 0.37 percent in FY2020 as against 0.38 percent in FY2019. The ability of the company to pass on the same to its customers is key deliverable. Further, the scale of operations is susceptible to agro climatic conditions, especially monsoon.

Rating Sensitivities

- Improvement, sustainability and healthy growth of revenues and profitability margins.
- Deterioration in the working capital cycle leading to stress on the liquidity position.

Liquidity Position: Adequate

The group's liquidity is adequate marked by net cash accruals in the range of Rs. 1.80 to Rs. 2.02 crores for last three years ending FY2020. The GCA days have stood at 101 days in FY2020 from 105 days in FY2019. The current ratio stood at 1.25 times in FY2020 as against 1.27 times in FY2019. The company maintained bank deposits and unencumbered cash and bank balances of Rs.0.02 crores as on March 31, 2020. The NCA/TD stood at 0.11 times, in FY2020 and 0.09 times in FY2019, respectively. Acuite believes that going forward, the group will maintain adequate liquidity position due to moderate cash accruals and stable business.

Outlook: Not Applicable

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	388.00	285.78
PAT	Rs. Cr.	1.44	1.10
PAT Margin	(%)	0.37	0.38
Total Debt/Tangible Net Worth	Times	0.81	0.91
PBDIT/Interest	Times	1.72	2.01

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

ICRA vide its press release dated 15th January, 2021 retained the ratings for the bank facilities of Manish Agro-Tech Limited in the 'Issuer Not Cooperating' category. The rating is denoted as "ICRA B+ Stable/A4 Issuer Not Cooperating".

Any other information

Not Applicable

Any Material Covenants

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>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-61.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.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
17-Jan-2020	Cash Credit	Long Term	10.00	ACUITE BB-/Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	1.00	ACUITE BB-/Stable (Reaffirmed)
07-Jan-2019	Cash Credit	Long Term	10.00	ACUITE BB-/Stable (Assigned)
	Proposed Bank Facility	Long Term	1.00	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. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BB (Upgraded and Withdrawn)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE BB (Upgraded and Withdrawn)

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About Acuite Ratings & Research:

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