

## Press Release

**Mahalaxmi Mahila Grahaudyog And Balvikas Bahuudeshiya Indl Co Op**

**Soc Limited**

**D-U-N-S® Number: 67-548-4940**

April 24, 2019

### Rating Assigned



<b>Total Bank Facilities Rated*</b>	Rs. 8.00 Cr.
<b>Short Term Rating</b>	ACUITE A4

\* Refer Annexure for details

### Rating Rationale

Acuité has assigned short term rating of '**ACUITE A4**' (read as **ACUITE A four**) to the Rs. 8.00 crore bank facilities of MAHALAXMI MAHILA GRAHAUDYOG AND BALVIKAS BAHUUDeshiya INDL CO OP SOC LIMITED (MMG).

MMG, established in 1994, is a co-operative society promoted by Ms. Aruna Auradkar. Society takes contracts for supply of Nutritious Food / Pulses Items (Packaged) for Anganwadi Centres. MMG has manufacturing units in three cities, namely Chakan (Pune), Tuppa (Nanded), and Kota (Rajasthan).

### Analytical Approach

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

## Key Rating Drivers

### Strengths

- **Established track record of operations with a strong regional presence**

MMG has been operating in packaged food business for more than two decades led by Ms. Aruna Auradkar (Chairman). The Chairman has around a decade of experience in the same line of business. The society has an established procurement network along with Anganwadis as its client which are run by State and Central government. Acuité believes that MMG's business risk profile will be supported by its established position in Maharashtra, and Rajasthan.

### Weaknesses

- **Average financial risk profile**

The financial risk profile is average marked by low net worth and debt protection measures, and high gearing. The net worth of the company is low at around Rs.5.53 crore as on 31 March, 2018 as against Rs.2.27 crore as on 31 March, 2017. The improvement in net worth is on account of on account of increasing revenue and profitability leading to higher accretion to reserves. The company has followed an aggressive financial policy as reflected by peak gearing of 10.77 times over the last three years through 2017-18. The gearing of the company has further improved to around 7.13 times as on March 31, 2018.

Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 26.89 times as on 31 March, 2018 as against 30.15 times as on 31 March, 2017. The moderate revenue levels coupled with stable operating margins have resulted in moderate debt protection measures. Interest Coverage Ratio (ICR) remained moderate at 1.20 times in FY2018 and 17.62 times in FY2017. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.05 times as on 31 March, 2018 as against 0.06 times as on 31 March, 2017. Debt Service Coverage Ratio (DSCR) stood at 1.20 times for FY2018 as against 17.62 times in FY2017. Acuité believes that the financial risk profile of MMG will continue to remain average over the medium term on account of its improving scale of operations and aggressive financial

policy.

#### • Working capital intensive nature of operations

The working capital management is marked by Gross Current Assets (GCA) of 211 days in FY2018 as against 234 days in FY2017. The company maintains inventory of around 60 days on an average and extends clean credit of around 120 days to its customers resulting in high GCA days. The inventory and debtor levels stood at 21 days and 156 days in FY2018 as against 54 days and 121 days in FY2017, respectively. Acuite believes that the working capital requirements will continue to remain high over the medium term on account of its debtor collection mechanism.

#### Liquidity Position

MMG has adequate liquidity marked by moderate net cash accruals. The company generated cash accruals of Rs.1.35 to Rs. 2.04 crore during the last three years through 2017 - 18. The company's working capital operations are intensive as marked by Gross Current Asset (GCA) days of 211 in FY 2018. The company maintains unencumbered cash and bank balances of Rs. 9.08 crore as on March 31, 2018. The current ratio of the company stood below average at 1.39 times as on March 31, 2018. Acuite believes that the liquidity of the company is likely to remain adequate over the medium term on account of moderate cash accrual.

#### About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	254.77	104.57	126.12
EBITDA	Rs. Cr.	10.07	1.01	1.21
PAT	Rs. Cr.	1.58	0.69	0.86
EBITDA Margin	(%)	3.95	0.96	0.96
PAT Margin	(%)	0.62	0.66	0.68
ROCE	(%)	34.04	3.19	8.25
Total Debt/Tangible Net Worth	Times	7.13	9.49	10.77
PBDIT/Interest	Times	1.20	17.62	10.61
Total Debt/PBDIT	Times	3.24	16.70	14.90
Gross Current Assets (Days)	Days	211	234	175

#### 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>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.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. Cr.)	Ratings/Outlook
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE A4

					(Assigned)
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### About Acuité Ratings & Research:

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