



Press Release
COW BRAND AGRO FOODS
May 07, 2025
Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	3.00	ACUITE BB Stable Assigned	-
Bank Loan Ratings	37.22	ACUITE BB Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	40.22	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuité has reaffirmed its long-term rating of ‘**ACUITE BB**’ (read as **ACUITE double Bo**)n the Rs.37.22 crore bank facilities of Cow Brand Agro Foods (CBAF). The outlook remains ‘**Stable**’.

Acuité has assigned its long-term rating of ‘**ACUITE BB**’ (read as **ACUITE double Bo**)n the Rs.3.00 crore bank facilities of Cow Brand Agro Foods (CBAF). The outlook is ‘**Stable**’.

Rationale for reaffirmation:

The rating reaffirmation takes into account the improvement in operating income in FY2024 and the estimated revenue growth in FY2025, driven by increased sales volumes of its branded rice throughout the year. It also considers CBAF’s long track record of operations and the extensive experience of management, which spans over four decades in the rice milling industry. Additionally, the rating considers the firm's moderate financial risk profile, characterized by moderate gearing and debt protection metrics.

However, the rating is constrained by moderate working capital management, the risks associated with the withdrawal of capital by partners, and the highly competitive and fragmented industry, which is affected by agro-climatic risks and regulatory risks.

About the Company

Cow Brand Agro Foods (CBAF) was established in 2016. The firm is engaged in milling paddy and processing it into rice. The paddy processing facilities are located in Tindivanam, Tamil Nadu, with an installed capacity of 8 tons per hour (tph). The partners of the firm are Mr. P. Stalin, Ms. S. Jayanthi, Mr. S. Nirmal, Ms. M. Karthika, and Ms. N. Megha.

Unsupported Rating

Not applicable

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the Cow Brand Agro Foods to arrive at this rating.

Key Rating Drivers

Strengths

- Long track record of operations and experienced management

The firm was established in 2016 by Mr. P. Stalin, who has extensive experience of over four decades in the rice milling industry. The promoter's extensive experience and long track record have helped the firm build established relationships with its suppliers and customers over the years. The firm has developed a strong brand presence (Cow Brand), primarily in Tamil Nadu and other southern states, which has enabled it to

achieve a moderate scale of operations over the years. The demand prospects for rice, a staple food grain, remain favorable, with India being the world's second-largest producer and consumer of rice. Acuité believes that CBAF will continue to benefit from its experienced management, long - track record of business operations, and well-established relationships with clients and suppliers over the medium term.

- **Improvement in operating revenue**

The firm registered revenue of Rs. 149.37 Cr. in FY2024, posting approximately 12.50 percent growth compared to the previous year's revenue of Rs. 132.78 Cr. in FY2023. Further, the firm estimates revenue of around Rs. 293 Cr. in FY2025. The growth in revenue is primarily driven by higher volumes of rice during the year due to healthy global demand. The operating profit margins stood in the range of 3.21-4.03 percent for the past two years ending FY2024. Going ahead, the ability of the company to sustain growth in its scale of operations while maintaining its profitability levels will remain a key monitorable.

- **Moderate financial risk profile**

The financial risk profile of the firm is moderate, marked by low net worth, moderate debt protection metrics, and gearing. The net worth of the firm stood at Rs. 21.32 Cr. and Rs. 20.83 Cr. as on March 31, 2024, and 2023, respectively. The gearing of the firm stood at 1.65 times as on March 31, 2024, against 1.57 times as on March 31, 2023. Debt protection metrics – the interest coverage ratio and debt service coverage ratio – stood at 1.61 times and 1.03 times as on March 31, 2024, respectively, compared to 1.53 times and 1.01 times as on March 31, 2023. TOL/TNW (Total Outside Liabilities/Total Net Worth) stood at 1.73 times and 1.61 times as on March 31, 2024, and 2023, respectively. The debt to EBITDA of the company stood at 7.33 times as on March 31, 2024, compared to 6.08 times as on March 31, 2023. Acuité believes that the financial risk profile will remain moderate in the absence of any major debt-funded capital expenditure plans in the near term.

Weaknesses

- **Moderate Working capital operations**

The firm's working capital operations are moderate, as reflected in its gross current assets (GCA) of 127 days in FY2024, compared to 130 days in FY2023. The GCA days are led by high inventory days of 116 days in FY2024 against 115 days in FY2023. The inventory days are on the higher side, primarily due to the procurement of rice paddy from October to February, which results in high inventory days at the end of March. Inventory days are expected to remain in a similar range going forward. The debtor days stood at 12 days in FY2024, compared to 18 days in FY2023. Creditor days stood at 4 days in FY2024, compared to 2 days in FY2023. Acuité believes that the working capital operations of the firm will remain at similar levels due to the nature of the business.

- **Risk of capital withdrawal associated with the partnership nature of firm**

CBAF is a partnership firm and is exposed to the risk of partners withdrawing capital from the business. There has been minor withdrawal of capital over the last few years. Acuité believes that any substantial withdrawal of capital by the partners is likely to have an adverse impact on the capital structure.

- **Highly competitive and fragmented industry affected by agro climatic risks and regulatory risk**

The agro commodity (rice) industry is highly competitive, with multiple players and low entry barriers resulting in intense competition from both organized and unorganized players. Paddy, the main raw material required for rice, is a seasonal crop, and its adequate and timely availability is highly dependent on the monsoon. Thus, inadequate or erratic rainfall may affect the availability and pricing of paddy, which in turn impacts the pricing of rice and profitability. Moreover, changes in government regulations pertaining to the rice industry can impact industry dynamics.

Rating Sensitivities

- Growth in revenue with sustainability of the profitability margins.
- Any significant elongation of the working capital cycle leading to deterioration in the financial risk profile and liquidity position.

Liquidity Position: Adequate

The firm's liquidity is adequate, marked by the generation of sufficient net cash accruals against its maturing debt obligations. The company generated cash accruals of Rs. 1.59 Cr. in FY2024, while its maturing debt obligations were Rs. 1.45 Cr. during the same period. Going forward, the firm is expected to generate moderate net cash

accruals against nil maturing repayment obligations. The current ratio stood at 1.50 times as on March 31, 2024. However, the reliance on working capital limits stood high marked by average 95 percent of the fund-based limits used over the past twelve months ending in January 2025. The firm maintained unencumbered cash and bank balances of Rs. 0.20 Cr. as on March 31, 2024. Acuité believes that the firm's liquidity is likely to remain adequate on the back of continued expected moderate cash accrual generation.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	149.37	132.78
PAT	Rs. Cr.	0.60	0.47
PAT Margin	(%)	0.40	0.35
Total Debt/Tangible Net Worth	Times	1.65	1.57
PBDIT/Interest	Times	1.61	1.53

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

Not Applicable

Interaction with Audit Committee anytime in the last 12 months (applicable for rated-listed / proposed to be listed debt securities being reviewed by Acuite)

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, Acuité 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	
04 Jul 2024	Cash Credit	Long Term	14.00	ACUITE BB	Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	3.15	ACUITE BB	Stable (Reaffirmed)
	Term Loan	Long Term	1.03	ACUITE BB	Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	2.04	ACUITE BB	Stable (Reaffirmed)
	Cash Credit	Long Term	17.00	ACUITE BB	Stable (Reaffirmed)
06 Apr 2023	Cash Credit	Long Term	14.00	ACUITE BB	Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	3.15	ACUITE BB	Stable (Reaffirmed)
	Term Loan	Long Term	1.03	ACUITE BB	Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	2.04	ACUITE BB	Stable (Reaffirmed)
	Cash Credit	Long Term	17.00	ACUITE BB	Stable (Assigned)
21 Feb 2023	Cash Credit	Long Term	14.00	ACUITE BB	Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	3.15	ACUITE BB	Stable (Reaffirmed)
	Term Loan	Long Term	1.03	ACUITE BB	Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	2.04	ACUITE BB	Stable (Reaffirmed)
11 Feb 2022	Proposed Long Term Bank Facility	Long Term	2.04	ACUITE BB	Stable (Reaffirmed)
	Term Loan	Long Term	1.03	ACUITE BB	Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	3.15	ACUITE BB	Stable (Reaffirmed)
	Cash Credit	Long Term	14.00	ACUITE BB	Stable (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Karur Vysya Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	33.00	Simple	ACUITE BB Stable Reaffirmed
Karur Vysya Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	3.00	Simple	ACUITE BB Stable Assigned
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	4.22	Simple	ACUITE BB Stable Reaffirmed

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About Acuité Ratings & Research

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