

Press Release

Mother India Agrofoods Private Limited

February 06, 2020

Rating Assigned



Total Bank Facilities Rated*	Rs.16.19 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable (Assigned)

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) on the Rs.16.19 crore bank facilities of Mother India Agrofoods Private Limited (MIAPL). The outlook is '**Stable**'.

Patna-based, MIAPL was incorporated in 2013 as by Mr. Chandra Sen Singh and Mr. Ramjee Singh and the commercial operations of the company began in 2016. The Company is engaged in milling and processing of non-basmati rice. MIAPL sells rice locally under its own brand- 'Mother India'. The Company's rice mill is set up in Patna, Bihar with an installed capacity of 8 Tons per hour and operates with around 160 employees.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of the MIAPL to arrive at this rating.

Key Rating Drivers

Strengths

- **Experienced management**

MIAPL is promoted by Mr. Chandra Sen Singh and Mr. Ramjee Singh both of whom have around 5 years of experience in the agricultural industry and have been in the aforementioned business for a considerable amount of time and it has helped them maintain good relations with its customers and suppliers and establish a presence in the northern part of the country. Further, experience of the promoters has also helped the company to increase its operating income, operating income grew at ~68 per cent in FY2019 over FY2017 and stood at Rs.53.49 crore. Acuite believes that MIAPL will continue to derive benefit from its experienced management over the medium term.

Weaknesses

- **Below average financial risk profile**

MIAPL has below average financial risk profile marked by low net worth, moderate debt protection metrics and high gearing. The net worth of the Company stood at Rs.4.86 crore as on 31 March, 2019 as against Rs.4.68 crore as on 31 March, 2018. The gearing level (debt-equity) stood high at 5.17 times as on 31 March, 2019 as against 4.87 times as on 31 March, 2018. The total debt of Rs.25.13 crore as on 31 March, 2019 consists of long term debt of Rs.1.63 crore, USL of Rs.7.57 and working capital borrowings of Rs.15.94 crore. The interest coverage ratio (ICR) of the company stood moderate at 1.83 times in FY2019 as against 1.95 times in FY2018. NCA/TD (Net Cash Accruals to Total Debt) ratio stood at 0.04 times in FY2019 and 0.06 times in FY2018. Debt to EBITDA stood high at 9.69 times in FY2019 as against 7.31 times in FY2018.

- **Working capital intensive nature of operations**

Operations of MIAPL are working capital intensive marked by Gross Current Asset (GCA) of 215 days in FY2019 as compared to 166 days in FY2018. The GCA days are dominated by the high levels of inventory of paddy kept by the company. The inventory holding period of the company stood at around 206 days in FY2019 as against 166 days in FY2018. The Debtor collection period stood at 9 for FY2019 as against 19 for FY2018 due to limited credit period offered to customers. Further the creditor payback period of the company stood high at 84 days. Further, current ratio of the company stood moderate at 1.11 times as on 31 March, 2019. Acuite believes that the working capital operations of

MIAPL will continue to remain intensive on account of high level of inventory holding period.

• Moderate scale of operations and agro climatic risks

MIAPL has moderate scale of operations marked by revenue of Rs.53.49 crores in FY2019 as against Rs.51.32 crore in the previous year. Further, paddy, the main raw material required for rice milling is a seasonal crop and production of the same is highly dependent upon the monsoon. Thus, inadequate rainfall may affect the availability of paddy in adverse weather conditions which will in turn impact the financial risk profile of the Company.

Liquidity Position: Adequate

The Company has adequate liquidity marked by average net cash accruals to its maturing debt obligations. MIAPL generated cash accruals of Rs.1.10 crore in FY2019 as against debt obligations of Rs.0.70 crore for the same period. The cash accruals of the Company are estimated to remain in the range of around Rs.1.56 crore to Rs.1.82 crore during FY2020-22 against repayment obligations in the range of around Rs.0.70 crore and Rs.0.23 crore for the same period. The Company's working capital operations are intensive marked by gross current asset (GCA) days of 215 days in FY2019. The current ratio stood at 1.11 times as on 31 March, 2019. Acuite believes that the liquidity of the Company is likely to remain adequate over the medium term on account of average cash accruals against no major debt repayments over the medium term.

Outlook: Stable

Acuite believes that the outlook on MIAPL's facilities will remain 'Stable' over the medium term on account of experienced management. The outlook may be revised to 'Positive' if the Company achieves higher than expected revenue while improving profitability and effectively managing its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in the financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	53.49	51.32
PAT	Rs. Cr.	0.18	0.38
PAT Margin	(%)	0.35	0.75
Total Debt/Tangible Net Worth	Times	5.17	4.87
PBDIT/Interest	Times	1.83	1.95

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.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 (Up to 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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE BB- / Stable (Assigned)
Term Loans	Not Applicable	Not Applicable	Not Applicable	1.19	ACUITE BB- / Stable (Assigned)

Contacts

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About Acuite Ratings & Research:

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