

Press Release

Mother India Agrofoods Private Limited

October 27, 2021

Rating Reaffirmed, Outlook Revised



Total Bank Facilities Rated*	Rs.16.19 Cr.
Long Term Rating	ACUITE BB-/Negative (Rating Reaffirmed, Outlook revised from 'Stable')

*Refer Annexure for details

Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE BB-**' (read as **ACUITE Double B minus**) on the Rs.16.19 Cr bank facilities of Mother India Agrofoods Private Limited (MIAPL). The outlook is revised to '**Negative**' from '**Stable**'.

Rationale for revision in outlook

The revision in outlook is on account of decline in operating income of MIAPL and subsequent deterioration in the Company's financial risk profile. The operating income of the Company declined in FY2021 (Provisional) to Rs.32.89 Cr from Rs.55.24 Cr in FY2020 and Rs.53.49 Cr in FY2019. Consequently, the debt protection metrics deteriorated as the interest coverage stood at 1.82 times for FY2021 (Provisional) as against 1.93 times for FY2020 and 1.83 times for FY2019. The Debt to EBITDA rose to 10.10 times for FY2021 (Provisional) as against 8.92 times for FY2020 and 9.69 times for FY2019. While the overall gearing continues remains high, it improved to 4.00 times as on March 31, 2021 (Provisional) from its peak gearing levels of 5.17 times as on March 31, 2019. The Adjusted Gearing rose to Rs. 3.85 times as on March 31, 2021 (Provisional) as against 3.62 times as on March 31, 2019 on account of reduction in unsecured loans from directors and promoters. The revenues of MIAPL were impacted mainly due to introduction of various central and state government support schemes for distribution of free food grains to a section of society to aid them tide over the Covid-19 induced crisis.

About the Company

Incorporated in 2013, MIAPL is a Patna based company promoted by Mr. Chandra Sen Singh and Mr. Ramjee Singh. The Company is engaged in milling and processing of non-basmati rice and its commercial operations began in 2016. MIAPL sells rice locally as well in states of West Bengal, Assam and Uttar Pradesh 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 profile of MIAPL for arriving 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 more than two decades of industry experience. The promoters rich experience has helped MIAPL maintain good relations with its customers and suppliers. Majority of the top 10 customer and suppliers have been associated with MIAPL since commencements of its commercial operations in 2016.

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.5.23 crore as on 31 March, 2021 (Provisional) as against Rs.5.10 crore as on 31 March, 2020 and Rs.4.86 Cr as on March 31, 2019. Overall gearing improved to 4.00 times as on March 31, 2021 (Provisional) from its peak gearing levels of 5.17 times as on March 31,

2019. The improvement is on account of accretion of profits to reserves as well as reduction in total debt in the business. As on March 31, 2021 (Provisional) the total debt which stood at Rs. 20.93 Cr included long term bank borrowings of Rs.4.08 Cr, short term borrowings of Rs. 16.08 Cr and unsecured loans from directors and promoters of Rs.0.77 Cr. The total debt as on March 31, 2019 stood at Rs. 25.13 Cr and included unsecured loans from directors and promoters of Rs. 7.57 Cr. After adjusting for the unsecured loans from directors and promoters as neither debt nor equity, the adjusted gearing rose to Rs. 3.85 times as on March 31, 2021 (Provisional) as against 3.62 times as on March 31, 2019. The TOL to TNW improved to 4.74 times as on March 31, 2021 (Provisional) as against 5.30 times as on March 31, 2020 and 7.68 times as on March 31, 2019. The interest coverage stood at 1.82 times for FY2021 (Provisional) as against 1.93 times for FY2020 and 1.83 times for FY2019. The Debt to EBITDA rose to 10.10 times for FY2021 (Provisional) as against 8.92 times for FY2020 and 9.69 times for FY2019. The coverage ratios in FY2021 deteriorated as compared to FY2020 on account of reduced absolute profits earned in FY2021. The operating profit reduced to Rs. 2.05 Cr in FY2021 (Provisional) as against Rs. 2.45 Cr earned in FY2020.

Acuite expects the financial risk profile of MIAPL to remain below average over the medium term.

• **Modest scale of operations**

MIAPLs operating revenue declined in FY2021 (Provisional) to Rs.32.89 Cr from Rs.55.24 Cr in FY2020 and Rs. 53.49 Cr in FY2019. The Company has generated revenue of Rs.19.74 Cr in 5MFY2022. The revenues in FY2021 were impacted mainly due to introduction of various central and state government support schemes for distribution of free food grains to a section of society to support their livelihood and aid them tide over the Covid-19 induced crisis. While the company revenues declined, the operating margins improved to 6.23 percent in FY2021 (Provisional) from 4.43 percent in FY2020 and 4.80 percent in FY2019. The improvement is on back of lower raw material cost in FY2021.

Acuite believes that MIAPL's ability to improve its scale of operations over the medium term will remain a key monitorable.

• **Working capital intensive nature of operations**

MIAPLs operations are working capital intensive. The GCA days stood at 229 days as on March 31, 2021 (Provisional) as against 147 days as on March 31, 2020 and 215 days as on March 31, 2019. The GCA days are mainly driven by inventory days which stood at 228 days as on March 31, 2021 as against 133 days as on March 31, 2020 and 206 days as on March 31, 2019. MIAPL is into a seasonal industry with its main stocking season beginning from Feb-March onwards as a result the inventory days as on year ends is high. The Debtor days stood at 12 days as on March 31, 2021 (Provisional) as against 18 days as on March 31, 2020 and 9 days as on March 31, 2019. The creditors support stood at 39 days as on March 31, 2021 (Provisional) as against 27 days as on March 31, 2020 and 84 days as on March 31, 2019. The average bank limit utilisation for the 11 months ended August, 2021 stood in the range of 36-45 percent.

Acuite expects MIAPL operations to remain working capital intensive over the medium term.

Liquidity Position: Stretched

MIAPL generated net cash accruals of Rs.0.89 Cr and Rs.1.07 Cr in FY2021 (Provisional) and FY2020 respectively while its debt obligation to pay during the same period stood at Rs.0.33 Cr and Rs.0.42 Cr respectively. The cash accruals of the Company are expected to remain in the range of Rs.0.95-1.60 Cr over the medium term, while its repayments are estimated to be in the range of Rs.1.13-1.40 Cr for the same period. The gap is expected to be funded by way of infusion of funds by promoters. MIAPL's operations remain working capital intensive with gross current asset (GCA) days of 229 days estimated as on March 31, 2021 (Provisional) as against 147 days as on March 31, 2020. However, the average bank limit utilization of its fund based facility for the eleven months ended August, 2021 was moderate and ranged between 36-45 percent. The unencumbered cash and bank balance was Rs.0.04 Cr as on March 31, 2021 (Provisional). The current ratio was 0.99 times as on March 31, 2021 (Provisional). Acuite believes that the liquidity of the Company is likely to remain stretched over the medium term on account of moderate cash accruals against debt repayment obligation and available unutilized bank limits and timely infusion of additional funds by promoters.

Material Covenants

None

Rating Sensitivities

- Improvement in scale of operations while maintaining its operating profitability
- Any deterioration in the capital structure

Rating Outlook: Negative

Acuite has revised the outlook to 'Negative' due to significant decline in operating income of MIAPL and subsequent deterioration its financial risk profile. The rating may be downgraded in case of any further dip in revenues of MIAPL or deterioration in its financial risk profile. The outlook may be revised to 'Stable' in case of improvement in the revenues while maintaining its profitability margins and improvement in the financial risk profile of the Company.

About the Rated Entity - Key Financials

	Unit	FY21 (Provisional)	FY20 (Actual)
Operating Income	Rs. Cr.	32.89	55.24
PAT	Rs. Cr.	0.13	0.25
PAT Margin	(%)	0.39	0.44
Total Debt/Tangible Net Worth	Times	4.00	4.33
PBDIT/Interest	Times	1.82	1.93

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

CRISIL Ratings vide its press release dated December 18, 2020 had denoted the rating of Mother India Agrofoods Private Limited as 'CRISIL B+/Stable; ISSUER NOT COOPERATING'

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>
- 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 the Instrument/Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
06-Feb-2020	Cash Credit	Long Term	15.00	ACUITE BB-/Stable (Assigned)
	Term Loan	Long Term	1.19	ACUITE BB-/Stable (Assigned)

*Annexure – Details of instruments rated

Lender Name	Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Canara Bank	Cash Credit	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE BB-/Negative (Reaffirmed, Outlook revised from 'Stable')
Canara Bank	Term Loan	Not Available	Not Applicable	Not Available	1.19	ACUITE BB-/Negative (Reaffirmed, Outlook revised from 'Stable')

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About Acuité Ratings & Research:

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