



Press Release

M S International

May 16, 2022

Rating Downgraded & Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	26.00	ACUITE B+ Downgraded & Withdrawn	-
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	26.00	-	-

Rating Rationale

Acuite has downgraded and withdrawn the long-term rating to '**ACUITE B+**' (read as **ACUITE B plus**) from '**ACUITE BB-**' (read as **ACUITE double B minus**) on the Rs.26.00 crore bank facilities of M S International (MSI).

The rating withdrawal is in accordance with Acuite's policy on withdrawal of rating. The rating is being withdrawn on account of request received from the company and NOC received from the banker.

Reason for Rating Downgrade

The rating is downgraded in view of information risk. Due to non-furnishing of complete information required for review, the rating action has been taken on the basis of best available information. The rating continues to factor in the experience of the promoters and performance of MSI in FY2021. However, the ratings are constrained by the moderate financial risk profile and working capital-intensive nature of operations of MSI.

About the Company

Established in October 2017, M S International is a Gujarat-based partnership firm, where Maaz Suthar and Rehanabanu Salauddin Modasiya are equal partners. The firm is engaged in the business of supplying processed or chips-quality potatoes (known as Lady Rosetta potatoes) to potato chips/wafers manufacturing companies domestically and internationally.

Analytical Approach

Acuite has considered standalone financial and business risk profiles of M S International to arrive at the rating.

Key Rating Drivers

Strengths

Moderate experience of promoter supported by business experience of family

M S International, a partnership firm, was established in October 2017 and is led by Maaz Suthar, managing partner of the firm. Though M S International started its operations 3 years back, Maaz Suthar is into trading business since past 5 years and Suthar family has strong experience in trading business.

M S Group, owned by Suthar family, is into the trading business from last 38 years. The group started its business by trading of grocery items in a small village of Aravalli district in Gujarat in 1982. Over the years the group expanded in other trading businesses such as trading of grains, fertilizer and pesticides, among others. The established presence of the group has helped develop good relations with suppliers and clients in the agricultural related businesses, which is also enabling M S International to expand its customer base and to grow. The revenue of the company stood at Rs.66.20 crore in FY21 registering a growth of ~85 percent YoY compared to revenue of Rs.35.93 crore in FY20. However, the operating profit margin have declined to 2.10% in FY2021 as against 2.19% in FY20. The net profit margins stood at 0.83% in FY2021 as against 0.78% in FY2020..

Acuite believes that the group's strong experience in trading business would continue to support M S International even going ahead.

Weaknesses

Moderate financial risk profile

M S International has moderate financial risk profile marked by modest net worth level, high gearing level and moderate debt protection matrix. The firm's net worth stood at Rs.5.04 crore as on March 31, 2021 as against Rs.2.03 crore as on March 31, 2020. The increase in net worth was on account of infusion of additional capital by partners of Rs.3.02 crore, because of which the firm's gearing level changed to 2.03 times as against 4.04 times for year ending March 31, 2020.

The coverage ratios of the company remained moderate with Interest Coverage Ratio (ICR) of 1.75 times for FY21 against 1.62 times for FY20. Also, the Debt Service Coverage Ratio (DSCR) stood at 1.75 times for FY21 against 1.62 times for FY20. The total outside liabilities to tangible net worth (TOL/TNW) of the company stood at 6.84 times as on March 31, 2021 against 8.23 times as on March 31, 2020. Further, Net Cash Accruals to Total Debt (NCA/TD) stood at 0.06 times for FY21 as against 0.04 times for FY20.

Working capital intensive nature of Operations

M S International has intensified working capital operations with gross current assets (GCA) days standing around 216 days for the year ending March 31, 2021 as against GCA days of 189 in March 31, 2020. This is due to high inventory days and moderate debtor days. The firm has to maintain high inventory mainly in the month of February and March, i.e. at the end of Rabi season as the firm is relied on contract farming for supply of chip-quality potatoes (Lady Rosetta). Inventory days of the firm stood at 160 as on March 31, 2021 compared to 103 days as on March 31, 2020. Debtor days as on March 31, 2021 stood at 54 days against 82 days as on March 31, 2020. However, better credit terms offered by suppliers give some support and the creditor days stood at 185 as on March 31, 2021. The average utilisation of bank limits is 70 percent for six months ended March, 2022.

Rating Sensitivities

Any further elongation in working capital cycle.

Material covenants

None

Liquidity Position: Stretched

The firm has a stretched liquidity position marked by modest cash accruals against debt

repayment obligations. . The net cash accruals stood at Rs.0.60 crore in FY21 and Rs.0.30 crore in FY20 while it had no significant repayment obligation during the same period. The debt repayment obligations of the Firm are estimated to range between 0.30-0.35 for the period ended FY22. The Firm's average bank limit utilization for six months ended March 2022 was 67 percent.

Outlook

Not Applicable

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	66.20	35.93
PAT	Rs. Cr.	0.55	0.28
PAT Margin	(%)	0.83	0.78
Total Debt/Tangible Net Worth	Times	2.03	4.04
PBDIT/Interest	Times	1.75	1.62

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entity: <https://www.acuite.in/view-rating-criteria-61.htm>
- Application Of 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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
22 Mar 2021	Cash Credit	Long Term	12.00	ACUITE BB- Stable (Assigned)
	Proposed Bank Facility	Long Term	14.00	ACUITE BB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE B+ Downgraded & Withdrawn (from ACUITE BB-)
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	14.00	ACUITE B+ Downgraded & Withdrawn (from ACUITE BB-)

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About Acuité Ratings & Research

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