



Press Release
MAHENDRA FEEDS AND FOODS
November 29, 2024
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	82.20	ACUITE BB Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	82.20	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned its long-term rating of '**ACUITE BB (read as ACUITE double B)**' on the Rs.82.20 crore bank facilities of Mahendra Feeds and Foods (MFF). The outlook is '**Stable**'.

Rationale for rating assigned

The rating assigned considers established track record of the firm in feed manufacturing and poultry business, diversified source of revenue in the form of egg sales, solar power sale, trading, gunny sales and bird sales. Further rating also factors in the stable improvement in scale of operations, and efficient working capital operations with GCA days of 45 days in FY2024. However, rating is constrained by declining in profit margins, risk of capital withdrawal in partnership firms and susceptibility of revenue and profitability to fluctuation in raw material prices.

About the Company

Tamil Nadu based company Mahendra Feeds and Foods(MFF), a Partnership firm, started in the year 2012 at Namakkal. Company engaged in the manufacturing of poultry feeds by using raw materials including maize, BORB, MBM, DOC, SOC, and Rice Broken. As per their client needs, they seasonally do trade of poultry medicines. They supply feed to clients, and they procure eggs from them to sell it to various parts of Tamil Nadu, Karnataka, and Kerala. Mr. V.Palansamy and Mr. P Thilagan are Partner of the firm.

Unsupported Rating

Not applicable

Analytical Approach

Acuite has considered standalone business and financial risk profile of MFF to arrive at the rating.

Key Rating Drivers

Strengths

Experienced partners and established track record of Operations

Mahendra feeds and foods (MFF) has experience of more than one decade in feed manufacturing and poultry business. The firm is currently managed by Mr.Palansamy and Mr. Thailagan. The experience of the partners has enabled the firm to maintain long term relationship with its suppliers and customers. MFF procures raw material like maize, soya, broken rice, rice bran, bajra, jowar , sunflower, mustard cake and other raw materials from various

places in Tamil Nadu, Karnataka, Andhra Pradesh and Uttar Pradesh. Firm process the raw material and manufactures feeds for poultries, firm also supplies feeds to farmers and procures eggs in return. MFF has in house poultry business with a capacity of one lakh birds, the process includes farming, hatching, extracting eggs and producing boiler chicken. Further, firm is also into solar power generation business with an installed capacity of 14.5 MWs, and entered into purchase power agreements with various companies and institutions near Namakkal with an average rate of Rs.7.2 per unit.

Acuite believes that experience of the partners and established track record of operations combined with diversified source of revenue will continue to benefit MFF over the medium term.

Moderately efficient working capital management

MFF's working capital operations are moderately efficiently managed as reflected through the gross current days of 45 days in FY2024, which remained similar to previous year's figures. The firm maintains inventory of around 18 days as compared to 26 days in FY23 and 16 days in FY22. MFF extends a credit period of 6 days to its customers in FY24. However, firm's working capital requirements are met by high utilisation of its working capital limits with an average utilisation of 96.5 percent over 12 months ending August 2024. Acuite expects the working capital management to remain moderately efficient over the medium term.

Weaknesses

Moderate financial risk profile

The financial risk profile of the firm is moderate marked by moderate net worth, leverage ratio and debt protection metrics. The firm's net worth improved to Rs.39.16 Cr in as on March 31st 2024 as against Rs.24.14 Cr as on March 31st 2023 and Rs.22.04 Cr as on March 31st 2022. Improvement in net worth is due to capital infusions by partners and accretion of profits to reserves. The total debt of Rs.79.08 Cr as on March 31st 2024 consists of short term debt of Rs.31.74 Cr, and long term debt of Rs.47.33 Cr. Firm's gearing ratio stood at 2.02 times as on March 31st 2024 as against 2.08 times as on March 31st 2023 and 2.04 times as on March 31st 2022. Debt protection metrics of interest coverage ratio and debt service coverage ratio (DSCR) stood similar at 3.12 times as on March 31st 2024 as against 5.09 times and 4.97 times respectively as on March 31st 2023. Further, firm's total outside liability to tangible net worth stood at 2.23 times as on March 31st 2024 as against 2.32 times as on March 31st 2023 and 2.55 times as on March 31st 2022. Acuite believes that financial risk profile of the firm may continue to remain moderate over the medium term.

Risk of capital withdrawal

MFF's constitution as a partnership firm is exposed to discrete risks including possibility of withdrawal of capital by the partners. Moreover, partnership nature of business partially limits the flexibility to raise the funds vis a limited firm. Acuite believes that substantial withdrawal of capital by the partners is likely to have adverse impact on the capital structure.

Competitive industry and susceptibility to fluctuations in raw material prices

The firm operates in an industry marked by various organised and unorganised players with low product differentiation, which poses a challenge to retaining customers, maintaining margins and sales, etc. However, the same is mitigated to an extent due to the established presence of the firm and the procurement of major raw materials in peak seasons on an immediate payment basis, which aids in locking in major raw material costs. The main cost associated with the raw materials of the firm is attributed to feed production, which contributes substantial portion of the total production cost of the firm. The major ingredients of the feed are maize and soy, whose prices have remained fragile in the past few years. Therefore, the profitability of the firm is directly dependent on the procurement costs. Also, the industry is vulnerable to outbreaks of diseases such as bird flu, which could lead to a decline in sales volume and the realisation of poultry players. Acuite believes that the firm's operating metrics are susceptible to intense competition and inherent risks in the poultry industry.

Rating Sensitivities

- Improving the scale of operations, profitability margins and capital structure.
- Any deterioration in working capital management leading to deterioration in financial risk profile and liquidity.

Liquidity Position: Adequate

MFF's liquidity profile remains adequate, marked by adequate cash accruals to service its maturing debt obligations. Further, firm's net cash accruals are estimated to range between Rs.12 Cr to 14.75 Cr during 2025-26 period, while its repayment obligations are estimated to be around Rs.7.7 Cr to Rs.7.9 Cr during the same period. Current ratio of the firm stood at 1.62 times and cash and bank balance stood at 0.65 Cr as on March 31st 2024. Working capital requirements of the firm are mostly met through its working capital limits with an average utilisation of 96.5 percent over 12 months ending August 2024. Acuite believes that the liquidity of the firm is likely to remain adequate over the medium term on account of adequate cash accrual over medium term.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	523.84	341.55
PAT	Rs. Cr.	5.05	0.85
PAT Margin	(%)	0.96	0.25
Total Debt/Tangible Net Worth	Times	2.02	2.08
PBDIT/Interest	Times	3.12	5.09

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

None

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.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. Acuité'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 :

Not applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	26.80	Simple	ACUTE 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.	2.51	Simple	ACUTE BB Stable Assigned
State Bank of India	Not avl. / Not appl.	Stand By Line of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	1.80	Simple	ACUTE BB Stable Assigned
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	25 Dec 2029	11.60	Simple	ACUTE BB Stable Assigned
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	05 Jun 2034	32.00	Simple	ACUTE BB Stable Assigned
Tamilnad Mercantile Bank Limited	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	08 Jun 2029	3.31	Simple	ACUTE BB Stable Assigned
State Bank of India	Not avl. / Not appl.	Working Capital Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	10 Nov 2026	4.18	Simple	ACUTE BB Stable Assigned

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