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Annur SS Agro Foods Private Limited (AAFPL)

March 04, 2025

Ratings:

Instrument / Facility	Amount (Rs. Crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	26.55	IVR BB/ Stable (IVR Double B with Stable Outlook)	IVR BB/ Stable (IVR Double B with Stable Outlook)	Reaffirmed	Simple
Long Term Bank Facility – WCDL	10.00	IVR BB/ Stable (IVR Double B with Stable Outlook)	-	Assigned	Simple
Total			36.55		
			(Rupees Thirty-Six Crore and Fifty-Five Lakh Only)		

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

The reaffirmation and assignment of the ratings by Infomerics to the bank facilities of Annur SS Agro Foods Private Limited (AAFPL) factors the extensive experience of the management in the industry and the improving scale of operations.

The ratings, however, are constrained by moderate credit metrics, fluctuating profitability margins, working capital intensive nature of operations, geographical concentration risk, fragmented nature of industry leading to thin profit margins, exposure to agro-climatic risk due to seasonal nature of availability of paddy and susceptibility to change in government regulations.

The 'Stable' outlook indicates that AAFPL is expected to continue to derive benefits out of the vast experience of the promoters, a long-track record of operations and expected improvement in revenue and profitability.



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Key Rating Sensitivities:

- **Upward Factors**
 - Substantial & sustained improvement in revenue while maintaining EBITDA margin leading to improvement in capital structure.
- **Downward Factors:**
 - Any substantial decline in revenue and/or EBITDA margin leading to deterioration of debt protection metrics or capital structure.
 - Any elongation in working cycle which impacts liquidity indicator.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Extensive experience of the promoter in the industry:

Annur SS Agro Foods Private Limited was promoted by Mr. S. Sivakumar and Ms. Kamatchi with a motive to set up rice milling and processing business in Annur. The promoters of the company have more than two decades of industry experience in the related field. Mr. S Sivakumar who is an MBA by qualification, is involved in finance and technical part of the business and Mrs. Kamatchi is MSc by qualification and she is one of the directors of the company who looks after the day-to-day operations.

Improving scale of operations:

The company generated revenue of Rs 113.25 crores in FY24 (Refer period from April 01, 2023 to March 31, 2024), which is 54.00% more than FY23 (Refer period from April 01, 2022 to March 31, 2023) due to the increase in the retail outlets. In FY24, the company achieved profit of Rs 1.69 crores which is 14.26% more than FY23. As of January 2025, the company's performance stands at Rs 116.00 crores. Additionally, the company has secured stable orders from wholesalers and strong demand in retail outlets, providing consistent revenue visibility for FY25.



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B. Key Rating Weaknesses

Moderate credit metrics:

As of March 31, 2023, the company's overall gearing ratio was 2.26 times. However, this ratio deteriorated in FY24, increasing to 3.42 times. The Total Debt to EBITDA ratio saw a substantial decline, rising from 3.96 times in FY23 to 5.30 times in FY24. Additionally, the ratio of Total Outside Liabilities to Adjusted Total Net Worth (TOL/ATNW) also reflected higher leverage, increasing from 3.54 times in FY23 to 4.70 times in FY24. The interest coverage ratio of the company has decreased from 3.24 times in FY23 to 3.07 times in FY24. A significant increase in the total debt, which contributed to an increase in the Total Debt to Gross Cash Accruals (GCA) ratio, rising from 6.80 times in FY23 to 9.32 times in FY24. Furthermore, the company's Debt Service Coverage Ratio (DSCR) improved to 1.50x in FY24, primarily due to an improvement in GCA that is available to meet debt repayment obligations.

Fluctuating profitability margins:

EBITDA margins have decreased to 6.43% in FY24 with respect to FY23 which is 7.61%. Also, PAT margin has decreased from 2.01% in FY23 to 1.49% in FY24. The decline in EBITDA and PAT margins in FY24 is attributed to increase in the operating expenses like rental expenses for the retail stores, advertisement expenses etc., due to the expansion in retail outlets. The company has started 17 new retail stores in FY 24 as against 5 stores in FY 23. Infomerics expects the EBIDTA margins to moderate in the medium term with the retail outlets being fully operational upon achieving the economies of scale.

Working capital intensive nature of operation:

The company operates in the agri-business sector, specifically in the processing of non-basmati rice, which is characterized by a working capital-intensive nature. This is reflected in its extended inventory period. The majority of the paddy is procured from the regulated markets in and around Annur and Coimbatore, with farmers receiving upfront cash payments. However, a few paddy suppliers based in Tamil Nadu offer credit terms of up to 60 days. Upon collection, the company extends a credit period of up to 60 days to its customers. The company maintains an inventory of paddy for approximately 4-5 months, while rice stocks are held for



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one month. The operating cycle for FY24 has extended to 100 days due to an increase in the average inventory holding period. This extension is mainly due to the seasonal availability of paddy, with major procurement occurring between October and January, and April and July, resulting in elongated inventory holding periods.

Geographical concentration risk:

Annur SS Agro Foods Private Limited faces geographical concentration risk, as it operates exclusively in Tamil Nadu with 75 retail outlets under the Annur SS Mart brand. This reliance on a single region exposes the company to risks from regional economic downturns, natural disasters, or changes in local regulations. Any adverse shifts in consumer behaviour or market conditions within Tamil Nadu could significantly impact the company's revenue and growth prospects. The lack of geographical diversification limits its ability to buffer against local disruptions, making the company more vulnerable to risks tied to this concentrated operating area.

Fragmented nature of the industry leading to thin profit margins:

The rice-milling industry is characterised by intense competition due to limited value addition, and consequent low entry barriers, limiting the pricing flexibility of players like Annur SS Agro Foods Private Limited.

Exposure to agro-climatic risk due to seasonal nature of availability of paddy:

The raw material (paddy) depends on monsoon and availability of irrigation. Paddy in India is harvested mainly at the end of two major agricultural seasons Kharif (June to September) and Rabi (November to April). The major procurement of Paddy happens during the months of October to January and April to July. The company's raw material being paddy, for proper harvest and availability of paddy, the weather conditions should be adequate. Adverse weather conditions directly affect the supply and availability of the paddy. Hence, the company is susceptible to any shortage or price fluctuation during unfavourable climatic conditions.

Susceptibility to changes in government regulations:

Minimum support price of paddy and prevailing rice price are key determinants of a rice mill's profitability. Being an agricultural product, availability of paddy is seasonal and dependent on monsoon/irrigation. This exposes the company to risk of limited availability of raw material in



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case of unfavourable climatic conditions, leading to fluctuations in paddy and rice prices. This is compounded by limited ability to completely pass on any price hike to customers.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies.](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\).](#)

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)

Liquidity: Stretched

The gross cash accruals of the company stood at Rs 4.14 crores in FY24 as against loan obligations of Rs 1.97 crores. The company expected to generate cash accruals of Rs 5.06 crores in FY25 as against the debt obligation of Rs 2.64 crores. The average working capital utilization for the past twelve months ended January 2025 remained high at 95.98%. The current ratio of the company stood at 1.10x as on March 31, 2023 and 1.09x as on March 31, 2024. The cash and cash equivalents as on March 31, 2023 is Rs 0.39 crores and Rs 0.60 crores as on March 31, 2024.

About the company

Annur (Tamil Nadu) based Annur SS Agro Foods Private Limited (AAFPL) is a closely held private limited company initially commenced as proprietorship firm in 1996 and later converted to Private Limited company in 2019 by Mr. S. Sivakumar. The company is engaged in Rice Milling and processing of non-basmati rice varieties and selling of rice and grocery items in the retail outlets which are named as Annur SS Mart includes Mini and Mega Mart. Currently the company has 75 outlets across Tamil Nadu. The company has installed capacity of 30000 MT. The company has 6 silos with an aggregate storage capacity of 10000 MT of rice.



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Financials (Standalone):

(Rs. Crore)

For the year ended* / As on	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	73.54	113.25
EBITDA	5.60	7.28
PAT	1.48	1.69
Total Debt	22.17	38.61
Tangible Net worth	9.79	11.30
EBIDTA Margin (%)	7.61	6.43
PAT Margin (%)	2.01	1.49
Overall Gearing ratio (X)	2.26	3.42
Interest coverage (x)	3.24	3.07

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Not Applicable

Any other information: None

Rating History for last 3 years:

Sr. No.	Name of Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					Date: December 13, 2023	-	-
1	Cash Credit	Long Term	22.00	IVR BB/Stable	IVR BB/Stable	-	-
2	Term Loans	Long Term	4.55	IVR BB/Stable	IVR BB/Stable	-	-
3	WCDL	Long Term	10.00	IVR BB/Stable	-	-	-



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About Infomerics:

Infomerics Valuation and Rating Ltd (Infomerics) [Formerly Infomerics Valuation and Rating Pvt. Ltd.] was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Facility details:

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	Revolving	22.00	IVR BB/Stable
Term Loans	-	-	-	July 2030	4.55	IVR BB/Stable
WC DL	-	-	-	12 months	10.00	IVR BB/Stable

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-AnnurSS-mar25.pdf>

Annexure 3: Detailed explanation of covenants of the rated security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated analysis: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.