



## Press Release

**MRMC Foods Private Limited**  
**October 20, 2020**

### Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating Assigned
1	Bank Facilities- Long Term	38.45	IVR BB+ (IVR Double B Plus)
2	Bank Facilities- Short Term	15.00	IVR A4+ (IVR A Four Plus)
3	Proposed Bank Facilities- Short Term	1.55	IVR A4+ (IVR A Four Plus)
	<b>Total</b>	<b>55.00</b>	

**Details of Facilities are in Annexure 1**

### Detailed Rationale

The rating assigned to the bank facilities of MRMC Foods Pvt Ltd derives comfort from Experienced and resourceful promoters and long track record of operations, locational advantage, stable operating performance though moderation in FY20 and moderate capital structure. The rating also considers exposure to intense competition in domestic and export market, exposure to agro climatic risks and government regulations, exposure to changes in trade policies and working capital intensive nature of operations.

### Key Rating Sensitivities

#### Upward factors

- Significant improvement in profitability metrics with consistent growth in scale of business thereby leading to overall improvement in cash accruals which is significantly higher than Infomerics expectation
- Continuous improvement in the capital structure

#### Downward factors

- Dip in operating income and/or profitability impacting the debt coverage indicators and liquidity
- Further elongation of the operating cycle leading to weakening in liquidity position
- Adverse government regulations



## Press Release

### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths:

##### **Experienced and resourceful promoters and long track record of operations**

The promoters Mr. Rajiv Mangal and Mr. Praveen Mangal have long standing presence in the rice industry which has helped them to build established relationship with both customers and suppliers. On the back of long standing experience of the promoters, the company enjoys established and healthy relationships with its customers and suppliers, which enabled the company to receive repeat orders, with a strong order book position. The company is likely to benefit from the extensive experience of its promoters going forward.

##### **Locational advantage**

MRMC Foods Pvt Ltd is engaged in milling and processing of rice. Favourable location of the plant in close proximity to paddy growers in Firozpur, Punjab has led to development of long-term relationships with the suppliers and therefore easy procurement of raw materials. The presence in these regions gives a competitive advantage in terms of easy availability of paddy, lower freight, and favourable pricing terms.

##### **Stable operating performance though moderation in FY20**

The total operating income of the company increased by CAGR of ~17% over the past three fiscals ending FY19 mostly driven by repeat orders from existing customers and addition of few new customer. The profit margins of the company remained moderate with the EBITDA margin in the range of 5.13%-6.41% and the PAT margin in the range of 0.85%-0.96% during FY18-FY20. However, the scale of business was marginally moderated in FY20 driven by low price realizations attributing to high competition and lockdown imposed due to Covid-19. During 5MFY21, the company has achieved a total operating income of ~ Rs.79 crore.

##### **Moderate capital structure**

Capital structure majorly comprised of working capital limits and significant amount of unsecured loans infused by promoters and its group. Infomerics has considered the amount of unsecured loans as quasi equity. As on March 31, 2020, Capital structure of the company remains moderate marked by adequate gearing ratio at 1.32x and TOL/ ANW at 1.71x.



## Press Release

Comfortable gearing of the company indicates buffer for the additional borrowing to meet working capital requirements.

### **Key Weaknesses**

#### **Exposure to intense competition in domestic and export market**

The rice milling industry and trading of rice in India is characterized by stiff competition amid presence of many organized and unorganized players. Low entry barriers coupled with low technological requirement and very less product differentiation makes the rice milling operations vulnerable and limits the pricing flexibility.

#### **Exposure to agro climatic risks and government regulations**

Paddy being an agro-commodity is susceptible to agro-climatic risks. Further, rice export segment is highly influenced by various government regulations in India and in exporting countries.

#### **Exposure to changes in trade policies**

The company is exposed to changes in the trade policies of key importing countries, which can impact the export revenues. The tightening of pesticide residue parameters and other quality check parameters might lead to a decline in exports.

#### **Working capital intensive nature of operations**

The operations of the company are working capital intensive as reflected in operating cycle of 192 days in the fiscal ending March 31, 2020 as against 210 days in previous fiscal. The main reason behind the long operating cycle is the elongated inventory cycle. Being an agro commodity, the procurement of paddy for the entire year is seasonal and happens during the months of October-December which increases the working capital requirement. Also basmati requires ageing to attain desired quality. The average working capital utilization of the company during the past 12 months ending June, 2020 remained on higher side at ~89%. Efficient management of working capital remains a key monitor able for the company/group.

**Analytical Approach:** Standalone

**Applicable Criteria:**



## Press Release

Rating Methodology for Manufacturing Companies  
Financial Ratios & Interpretation (Non-financial Sector)

### **Liquidity: Adequate**

The company earned a GCA of Rs.3.25 crore in FY20 (Prov) as against its repayment obligation of Rs.2.00 crore. Further, the liquidity position of the company is expected to remain adequate as the company is expected to generate steady cash accrual ~Rs.4.80 crore and Rs. 6.01 in FY21 and FY22 as against its scheduled repayment obligation in the range of ~Rs.2.40 -5.00 crore during the aforesaid period. The bank limits remained utilized to the extent of ~89% during the past 12 months ended June 2020 indicating a high usage of the limits.

### **About the Company**

MRMC Foods Pvt. Ltd (MFPL) is a Punjab -based company, incorporated in 2013 and being promoted by Mr. Rajiv Mangal (Director) and Mr. Parveen Mangal (Director). The company is engaged in the milling and processing of Basmati and Non-Basmati Rice. MFPL has installed capacity of 15 TPH at Faridkot Road, Ferozepur, Punjab.

The promoters cum directors are having a combined experience of more than a decade in the food and allied industry (majorly in the rice industry).

### **Financials (Standalone):**

For the year ended* As on	(Rs. crore)	
	31-03-2019	31-03-2020
	Audited	Provisional
Total Operating Income	200.50	195.81
EBITDA	12.42	10.04
PAT	1.83	1.88
Total Debt	70.18	69.27
Tangible Net worth*	50.42	52.47
EBITDA Margin (%)	6.20	5.13
PAT Margin (%)	0.91	0.96
Overall Gearing Ratio (x)^	1.39	1.32

**Status of non-cooperation with previous CRA: Nil**

**Any other information: Nil**



## Press Release

### Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Cash Credit	Long Term	30.00	IVR BB+/Stable	-	-	-
2.	Term Loan	Long Term	8.45	IVR BB+/Stable	-	-	-
3.	PC/PCFC	Short Term	15.00*	IVR A4+			
3.	Proposed Short Term Bank Facilities	Short Term	1.55	IVR A4+			

\*One way interchangeable to CC Facility

**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](http://www.infomerics.com).

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### About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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## Press Release

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### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities- Cash Credit	-	-	-	30.00	IVR BB+/Stable
Long Term Bank Facilities- Term Loan	-	-	-	8.45	IVR BB+/Stable
Short Term Bank Facilities- PC/PCFC	-	-	-	15.00*	IVR A4+
Proposed Long Term/Short Term Bank Facilities	-	-	-	1.55	IVR A4+

\*One way interchangeable to CC Facility