



## Press Release

MKC Agro Fresh Limited

March 03, 2021

### Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating	Rating Action
1.	Long Term Bank Facilities	72.14	IVR BBB-/ Stable Outlook (IVR Triple B Minus with Stable Outlook)	Assigned
2.	Short Term Bank Facilities	7.00	IVR A3 (IVR A Three)	Assigned
3.	Proposed Long/Short Bank Facilities	7.86	IVR BBB-/ Stable Outlook (IVR Triple B Minus with Stable Outlook); IVR A3 (IVR A Three)	Assigned
	<b>Total</b>	<b>87.00</b>		

Details of Facilities are in Annexure 1

### Detailed Rationale

The rating assigned to the bank facilities of MKC Agro Fresh Limited (MAFL) draws comfort from its experienced and resourceful promoters with continuous scale of operations and financial support from promoter's. The rating also positively considers diversified product portfolio with geographic reach, comfortable capital structure and comfortable debt protection. However, these rating strengths are partially offset by agro climatic risks and operations in a highly fragmented segment with many unorganized players.

### Key Rating Sensitivities:

#### Upward Factor:

- Substantial improvement in revenue and/or profitability margins leading to sustained improvement in debt coverage indicators may lead to a positive rating action

#### Downward factor:

- Any deterioration in revenue and/or profitability margin leading to deterioration in debt coverage indicators may lead to a negative rating action
- Withdrawal of unsecured loan treated as quasi equity



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### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

- **Experienced and resourceful promoters**

The company was established under the guidance of Mr late Haji Mohd. Kaliyar Qureshi in 1966 and now is managed by third generation. The promoters are well assisted by a team of professionals having relevant industry experience in the day-to-day operations. Long-standing presence of the promoters in the industry has helped the company to establish healthy relationship with farmers to procure freshly picked fruits and supply to customers and get repetitive orders from them.

- **Diverse product portfolio and geographic reach:**

MKC Agro Fresh Limited offers variety of fruits like apple, oranges & grapes. These fruits are distributed all over the country to esteemed clientele such as Reliance Retail, Big Basket, etc and in Bangladesh through its subsidiary. The Company has an established network of approx. 500 dealers and distributors.

- **Continuous scale up of operations**

The total operating income of the company has witnessed an increasing trend with a CAGR of ~6% during FY18-FY20 and stood at Rs.299.03 crore in FY20 as compared to Rs.249.57 crore in FY18. The growth in the revenue was mainly driven by increase in volume sale of fruits with expanding customer base. Till Nov, 2020, the company has achieved a revenue of ~Rs.199 crore.

- **Financial Support from Promoters:**

The promoters have been extending constant financial support to the company. In FY20, the promoters infused further unsecured loan of ~Rs.5.22 crore and Rs ~10.51 crore is considered as quasi equity to calculate the adjusted net worth.

- **Comfortable capital structure with comfortable debt protection:**

The long term debt equity ratio and overall gearing stood comfortable at 0.21x and 1.93x as on March 31, 2020. Total indebtedness of the company as reflected by TOL/ANW improved from 3.09x as on March 31, 2018 to 2.21x as on March 31,2020 driven by scheduled



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repayment of term loans, steady accretion of profit to net worth and unsecured loan from promoters and family to the extent of Rs 10.51 crore is treated as quasi equity in FY20. The debt protections parameters are adequate, marked by interest coverage ratio of 2.18x in FY20. The total debt/ GCA marginally improved yet remained high at 8.90 year in FY20(8.99 year in FY19).

### Key Rating Weaknesses

- **Agro-climatic risks**

The Company's raw materials are agriculture products. The availability and pricing of such items depends upon their overall produce during their particular season in the year. Variation in rainfall and temperature, outbreak of any fruit-specific disease, breakdown in inter-state transportation due to heavy rain or other natural causes, etc. are some of the reasons which can affect raw material costs of the Company. Thus, operating margins are vulnerable to the agro-climatic risks

- **Operations in a highly fragmented segment with many unorganized players**

The domestic fruits trading business is highly crowded with the presence of many unorganized players with a variety of fruits vendors and traders available in every region. There is intense competition amongst various established fruit distributors and also from the unorganized markets. As a result, the profit margins remained thin with operating margin of 4.16% and net margin of 0.93% in FY20.

**Analytical Approach:** Standalone

**Applicable Criteria:**

Rating Methodology for Trading Companies

Financial Ratios & Interpretation (Non-financial Sector)

**Liquidity – Adequate**

MAFL has adequate liquidity marked by 6.58 crore of cash accruals over the medium term as against long term debt obligation of Rs 3.79 crore in FY20. The company has free cash



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balance of Rs 0.47 crore as on 31<sup>st</sup> Jan 2021. The company has expected cash accrual in the range Rs 9.00-11.00 crore with repayment of Rs 0.90 to 3.00 crore in projected three year. However, the working capital limits remained highly utilized at ~98% over the eleven months ended Nov 2020 which indicates a limited liquidity buffer. The current ratio stood at 1.10x as on March 31,2020.

### **About the Firm**

MKC Agro Fresh Limited was founded in 1966 by late Haji Mohd. Kaliyar Qureshi as a proprietorship firm and later reconstituted as a public limited company in 2009 , it is engaged in processing, trading of fruits like apple, oranges and grapes. The company procures fruits majorly domestically at competitive prices and supply fruits all over India via strong distribution network of distributors and exports majorly to Bangladesh through it's subsidiary "MKC Agro Fresh(BD) Limited". MAFL also has a controlled storage facility at Greater Noida of capacity 3600MT with latest technological innovation.

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

For the year ended*/As on	(Rs. crore)	
	31-03-2019	31-03-2020
	<b>Audited</b>	<b>Audited</b>
Total Operating Income	285.08	299.03
EBITDA	12.46	12.45
PAT	2.07	2.79
Total Debt	59.57	58.56
Tangible Net worth	16.08	18.41
Adjusted Net Worth	22.59	29.75
EBITDA Margin (%)	4.37	4.16
PAT Margin (%)	0.73	0.93
Overall Gearing Ratio (x)	2.64	1.93

*\*Classification as per Infomerics' standards*

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

**Any other information: Nil**



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### 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.	Fund Based Limits- Cash Credit	Long Term	66.00	IVR BBB-/ Stable Outlook	-	-	-
2.	Fund Based Limits- Term Loan	Long Term	6.14	IVR BBB-/ Stable Outlook	-	-	-
3.	Non- Fund Based Limits- L.C	Short Term	2.00	IVR A3	-	-	-
3.	Non- Fund Based Limits- SBLC	Short Term	5.00	IVR A3	-	-	-
4.	Proposed Facility	Long/Short Term	7.86	IVR BBB-/ Stable Outlook; IVR A3	-	-	-

**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).

### Name and Contact Details of the Rating Analyst:

Name: Ms. Smriti Jetly  
Tel: (011) 24611910  
Email: [sjetly@infomerics.com](mailto:sjetly@infomerics.com)

### 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



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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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### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Fund Based Limits- Cash Credit	-	-	-	66.00	IVR BBB-/ Stable Outlook
Fund Based Limits- Term Loan	-	-	-	6.14	IVR BBB-/ Stable Outlook
Non- Fund Based Limits- Letter of Credit	-	-	-	2.00	IVR A3
Non- Fund Based Limits- Stand by Letter of Credit	-	-	-	5.00	IVR A3
Proposed Facility	-	-	N.A	7.86	IVR BBB-/ Stable Outlook; IVR A3