Rating Rationale

MRMC Foods Pvt. Ltd.

28 Aug 2019

Brickwork Ratings assigns rating for the bank loan facilities of MRMC Foods Pvt. Ltd.

Particulars

Facility Rated	Amount (Rs. Crs)	Tenure	Rating#
Fund Based Cash Credit	**30.00***	Long Term	**BWR BB** (Pronounced as BWR Double B) **Outlook : Stable**
Fund Based Term Loan	**6.45**	Long Term	
Fund Based PC	**15.00***	Short Term	**BWR A4 (Pronounced as BWR Single A Four)**
Total	**51.45**	**INR Fifty One Crores and Forty Five Lakh Only**	

Please refer to BWR website www.brickworkratings.com/ for definition of the ratings.
** There is one way interchangeability of Rs 15.00 Cr from PC to CC limit.*

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR principally relied upon audited financials upto FY18, FY19 provisional, projections upto FY21,publicly available information and information/clarification provided by the management.

While assigning the rating of *MRMC Foods Pvt. Ltd.* (MFPL or 'the company'), BWR has factored in the experience of the promoters in the rice industry and growing top line over the years. The rating is, however, constrained by high leverage, average debt protection metrics, below average profit margins, working capital intensive, price fluctuation risk, regulatory risk and competition

Credit Strengths :

- **Experienced Promoters** : Directors of the company , Rajiv Mangal and Parveen Mangal have more than one decades of experience in the same line of business activity.
- **Improved Turnover** : There is consistent growth in scale of operation over the last 4 years.Total operating income(TOI) has improved from Rs 145.62 Cr in FY17 to Rs 189.56 Cr in FY18 and PAT has improved from Rs 1.35 Cr in FY17 to Rs 1.62 Cr in FY18.Company has achieved a turnover of Rs 200.45 Cr as per FY19 provisional. As advised by the company they have achieved a turnover of Rs 48.15 Cr in 4MFY20.

Credit Concerns :

- **Leverage position :** Gearing(Total debt/TNW) of the company is high at 7.24X in FY18,However considering the unsecured loans as quasi equity, Analyzed Gearing comes down to 4.14X in FY18 and 2.64X in FY19(provisional)
- **Below Average Debt protection Metrics:** Company has weak ability to meets its debt liabilities indicated from its below average ISCR of 1.41X and DSCR of 1.11 in FY18.
- **Below average Profit margins :** It has low net profit margin of 0.85% and operating profit margin of 6.29% in FY18 respectively.
- **Working Capital Intensive :** Operating cycle of the company is elongated to 210 days in FY18 mainly due to the high inventory of 191 days in FY18.However it has improved to 201 days as per FY19(provisional) due to improved inventory days from 191 days in FY18 to 166 days as per FY19(provisional).
- **Price Fluctuation Risk, Regulatory Risk and Competition** : Commodity price volatility risks associated with the uncertainty in the Indian monsoons, uncertainty of production of same quality of rice every year due to ever changing climate conditions, inventory risk due to the longer storage period, along with the demand and supply factors, besides regulatory risk and competition among peers could adversely impact profit margins further in future.

Liquidity :

Company had cash accruals(PAT +Dep) of Rs 2.97 Cr in FY18 and Rs 3.31 in FY19(provisional).It has cash & Cash equivalent of Rs 0.12 Cr only.The company has CPLTD of Rs 1.85 Cr to be repaid in FY20 and onwards.

Analytical Approach:

BWR has factored in the standalone business parameters and financial risk profile of the company to arrive at the rating. Reference may be made to the Rating Criteria hyperlinked below.

Rating Outlook: Stable

BWR believes the *MRMC Foods Pvt. Ltd.'s* business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

MRMC Foods Pvt. Ltd.(MFPL) is a Punjab -based company, incorporated in 2013 and being promoted by Rajiv Mangal and Parveen Mangal. 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. Directors of the company are Rajiv Mangal and Parveen Mangal.

Company's Financial Performance

Particulars	Units	FY2017 (Audited)	FY2018 (Audited)
Net Sales/Revenue	Rs. Crores	145.62	189.56
EBIDTA	Rs. Crores	11.45	11.92
PAT	Rs. Crores	1.35	1.62
Tangible Networth	Rs. Crores	14.52	16.19
TOL : TNW Ratio	Times	7.48	6.58
Current Ratio	Times	1.25	1.30

Rating History for the last three years: (including withdrawn/suspended ratings)

S.No.	Instrument / Facility	Current Rating (Year 2019)			Rating History		
		Type	Amount (Rs Crs)	Rating	2018	2017	2016
1.	Cash Credit	Long Term	30.00	BWR BB (Pronounced as BWR Double B) Outlook : Stable	NA	NA	NA
2.	Term Loan	Long Term	6.45				
3.	PC	Short Term	15.00	BWR A4 (Pronounced as BWR Single A Four			

	Total	**51.45**	**INR Fifty One Crores and Forty Five Lakh Only**

Status of non-cooperation with previous CRA – CARE migrated rating to Issue Not Cooperating in March 2019.

Hyperlink/Reference to applicable Criteria

- **General Criteria**
- **Approach to Financial Ratios**
- **Manufacturing Companies**
- **Short Term Debt**

Analytical Contacts	Investor Contacts
RK Sharma Senior Director - Ratings B :+91 11 2341 2232 rksharma@brickworkratings.com **Raman Thakur** Ratings Analyst B :+91 11 2341 2232 raman.t@brickworkratings.com	**Satish Nair** Director - Global Market Development & Investor Relations M : +91 7738875550 B : +91 22 6745 6666 satish.n@brickworkratings.com
1-860-425-2742	

For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

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BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

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