

Annapurna Agro Industries LLP

October 03, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	45.00	CARE BB-; Stable	Assigned
Long Term / Short Term Bank Facilities	5.00	CARE BB-; Stable / CARE A4	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of Annapurna Agro Industries LLP are constrained by modest scale of operations with low profitability margins, leveraged capital structure marked by high overall gearing and weak debt coverage indicators. The ratings are further constrained by working capital intensive nature of operations and seasonal nature of availability of paddy resulting in fluctuation of profitability, competitive & fragmented nature of industry coupled with high level of government regulation and partnership constitution of business. However, these rating weaknesses are partially offset by experienced promoters, diversified customer base and presence of the manufacturing unit of the firm in Mirzapur, which is a paddy cultivation hub in Uttar Pradesh.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Scaling up of operations, with operating income above Rs. 150 crores coupled while maintaining PBILDT margin above 5.00% on a sustained basis.
- Improvement in operating cycle below 100 days.
- Improvement in overall capital structure as reflected by overall gearing level below 3.00 times on a sustained basis.

Negative Factors

- Decline in total operating income below Rs 80 crores with PBILDT margin below 4.00% on a sustained basis.
- Further deterioration in capital structure due to increasing reliance on working capital borrowing as reflected by overall gearing above 7.00 times.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings believes that the entity shall benefit from experienced of promoters in rice mill industry and favourable manufacturing location.

Detailed description of key rating drivers:

Key weaknesses

Modest scale of operations with low profitability margins

Annapurna Agro Industries LLP derives more than 95% of its revenue from rice processing and remaining through transportation business. The scale of operations of the firm have remained modest and fluctuating over the past five fiscal years. During FY24 (refers to the period from April 01, 2023, to March 31, 2024), the total operating income remained small at ~Rs 106 crore (PY: Rs.108.06 crore). Annapurna is catering to domestic market where the demand has remained stable. Owing to intense competition and limited value addition in rice processing, the PBILDT and PAT margin remained low at 5.87% (PY: 4.65%) and 1.22% (PY: 1.25%) respectively in FY24. During Q1FY25 (refers to the period from April 01, 2024 to June 30, 2024), the firm reported total operating income of Rs.29.30 crore.

Leveraged capital structure and weak debt coverage indicators

The capital structure of the firm remained levered as reflected by overall gearing of 6.01x as on March 31, 2024 (PY: 5.47x) largely owing to low net-worth base and high working capital borrowings outstanding as on balance sheet. The debt coverage

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

indicators remained weak as marked by interest coverage of 2.12x (PY: 2.54x) and total debt to GCA 17.29x (PY: 12.12x) respectively in FY24.

Working capital intensive nature of operations

Working capital intensity is an inherent characteristic of the rice mills particularly on account of elongated inventory holding period. Owing to the seasonality of rice harvest, rice milling entities have to maintain suitable raw material inventory (paddy) during harvest season (October to February) to ensure uninterrupted production throughout the year. Annapurna maintains buffer stock during harvest season at affordable prices. Thus, the average inventory holding for the firm remained elongated at 155 days for FY24 (PY: 105 days). The firm extends a credit of around 1 month to its customers and receives similar credit period from its creditors. The firm has high dependence on bank borrowings to fund its working capital requirements with average working capital utilization of 100% for trailing 12 months ended August 31, 2024

Seasonal nature of availability of paddy and susceptible of margins to raw material price fluctuations

The major procurement of paddy happens during the period from October to February. The firm's primary 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 which leads to raw material price fluctuations. The central Government of India (GOI), every year decides a minimum support price of paddy which limits the bargaining power of rice millers over the farmers. The sale of rice in the open market is also regulated by the government through levy quota and fixed prices. Due to the above said regulations along with the intense competition, the bargaining power of the rice millers against the suppliers of paddy and the customers is limited.

Competitive & fragmented nature of industry coupled with high level of government regulation

The commodity nature of the product makes the rice processing industry highly fragmented, with numerous players operating in the unorganized sector with very less product differentiation. Furthermore, the concentration of rice millers around the paddy growing regions makes the business intensely competitive.

Constitution of the entity being a partnership firm

Annapurna Agro Industries LLP is a partnership firm by constitution, thereby having inherent risk of possibility of withdrawal of the partner's capital at the time of personal contingency and firm being dissolved upon the death/retirement/insolvency of partner. Moreover, partnership firms have restricted access to external borrowing as credit worthiness of partners would be the key factors affecting credit decision for the lenders.

Key strengths**Experienced and resourceful promoters**

The business is promoted by Mr. Shambhunath Tiwari. He holds 15 years of experience in rice industry. Prior to rice industry, Mr. Tiwari holds two decades of experience in carpet dying industry. Currently, he is supported by other partners, Mrs Priya Tiwari and Mr. Suraj in day-to-day management of business. They are further assisted by other members of Tiwari family. Further, the promoters are resourceful and have ability to infuse funds in the business as and when required for several business requirements. As on March 31, 2024, unsecured loans from friends and family stood at Rs.10.84 crore (PY: Rs.11.04 crore).

Favourable manufacturing location

Firm's manufacturing unit is located in Mirzapur, Uttar Pradesh. The area is surrounded by the hubs for paddy cultivation, leading to its easy availability. Firm procures paddy primarily from Uttar Pradesh and other neighbouring states. The presence of the firm's manufacturing unit in vicinity to the paddy producing regions gives it an advantage over competitors in terms of easy availability of the raw material as well as favourable pricing terms. Further, operating in an established rice belt, the firm has access to a large number of small-scale millers whose facilities can be used to meet any temporary demand and production mismatches.

Diversified Customer base

Annapurna primarily sells rice to whole sellers in Uttar Pradesh. During FY24, top 10 customers accounted for ~27% of total income. (PY: ~26%). The diverse customer base reduces the risk exposure to limited counter parties.

Liquidity: Stretched

The liquidity profile of the firm is constrained by working capital intensive nature of business due to elongated inventory holding requirement. The working capital limits remained fully utilized on an average for past twelve-month period ending August 31,

2024. During FY24, the firm generated GCA of Rs 3.12 crores and is envisaged to generate GCA of Rs 3.50 crores against which repayment stands at Rs 0.83 crore. The firm is not planning to incur any major capex in the near to medium term.

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Fast Moving Consumer Goods	Fast Moving Consumer Goods	Agricultural Food & other Products	Other Agricultural Products

Annapurna Agro Industries LLP is incorporated as partnership firm in July 29,2016. The firm is running two rice mills namely- Annapurna Industries Mirzapur and Annapurna Rice Mill. The combined capacity of rice mills is 37 tonne per hectare (37TPH). Further, the firm has storage capacity of 2000 MT for raw material and finished goods. The location of rice mills is Mirzapur, Uttar Pradesh which ensures easily availability of paddy. The partnership firm is promoted by Mr Shambhunath Tiwari who holds 15 years of experience in Rice Industry.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (UA)	Q1FY25 (UA)
Total operating income	108.06	106.08	29.30
PBILDT	5.02	6.23	NA
PAT	1.35	1.29	NA
Overall gearing (times)	5.47	6.01	NA
Interest coverage (times)	2.54	2.12	NA

A: Audited UA: Unaudited; NA: Not Available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan		-	-	September, 2027	3.25	CARE BB-; Stable
Fund-based - LT-Working Capital Limits		-	-	-	41.75	CARE BB-; Stable
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	5.00	CARE BB-; Stable / CARE A4

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term Loan	LT	-	-	-	-	1)Withdrawn (13-Dec-22)	1)CARE BB-; Stable (07-Dec-21)
2	Fund-based - LT-Cash Credit	LT	-	-	-	-	1)Withdrawn (13-Dec-22)	1)CARE BB-; Stable (07-Dec-21)
3	Fund-based - ST-Bank Overdraft	ST	-	-	-	-	1)Withdrawn (13-Dec-22)	1)CARE A4 (07-Dec-21)
4	Fund-based - LT-Working Capital Limits	LT	41.75	CARE BB-; Stable				
5	Fund-based - LT-Term Loan	LT	3.25	CARE BB-; Stable				
6	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	5.00	CARE BB-; Stable / CARE A4				

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not Applicable**Annexure-4: Complexity level of instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based - LT-Working Capital Limits	Simple
3	Non-fund-based - LT/ ST-Bank Guarantee	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Contact us

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About us:

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