

Mittapalli Agro Exports

February 03, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term / Short Term Bank Facilities	15.00	CARE D / CARE D; ISSUER NOT COOPERATING*	Downgraded from CARE BB; Stable / CARE A4 and moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

*Issuer did not cooperate; based on best available information.

Rationale and key rating drivers

CARE Ratings Ltd. has been seeking information from Mittapalli Agro Exports (MAEX) to monitor the rating(s) vide e-mail communications dated January 13, 2025, to January 20, 2025, among others and numerous phone calls. However, despite our repeated requests, the firm has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed and revised the rating on the basis of the best available information (including lender interaction) which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. The rating on MAEX's bank facilities will now be denoted as **CARE D; ISSUER NOT COOPERATING***

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The ratings have been revised on account of ongoing delays in debt servicing with the account classified as NPA based on the confirmation received during interaction with the lender.

Analytical approach: Combined

CARE has combined financials of three entities of the Mittapalli Agro group namely Mittapalli Agro Products Private Limited (MAPPL), Mittapalli Agro Exports (MAEX) and Mittapalli Agro Enterprises (MAE) since, these said entities are engaged in a similar line of activity and have common promoters along with having significant operational linkages.

Outlook: Not Applicable

Detailed description of the key rating drivers

At the time of last rating on December 06, 2023, the following were the rating strengths and weaknesses (updated for the information available from Registrar of Companies and stakeholders):

Key weaknesses

Ongoing delays in debt servicing: There are ongoing delays in debt servicing of the rated working capital loans and the account has been classified as NPA.

Moderate financial risk profile:

The scale of operations of the group has improved due to higher sales realization yet remained modest. The TOI increased to Rs. 190.52 crore in FY23 from Rs. 121.63 crore in FY22. The profitability margins continue to remain thin due to trading nature of operation with very limited value addition. The margins are also affected by fluctuation in the raw tobacco prices, which is volatile since the availability FCV being a high-grade tobacco is highly regulated, and time bound with limited quantity being available for Medium/small players as cash rich buyers can plan and procure desired quantities and qualities at the right time.

The capital structure marked by overall gearing has improved yet remained leveraged due to high debt level on account of high utilization of working capital debt. The overall gearing stood at 3.76x as on March 31, 2023 (PY:3.98x). The coverage indicators remained moderate with interest cover just above unity at of 1.10 times in FY23 (PY: 1.16x).

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

Elongated operating cycle given the working capital-intensive nature of operations

Group operates in a working capital-intensive industry and the operating cycle continues to remain stretched at 220 days in FY23 (FY22: 328 days) primarily because of high collection period of 150 days for FY23 (FY22: 280 days) and significant increase in inventory holding period to 132 days during FY23 as against 124 days in FY22. The average shipment time increased to 2-3 months as against 30 days which led to high inventory as on March 31, 2023. Also, in view of seasonality associated with cultivation of tobacco owing to which the group needs to maintain adequate stocks to ensure availability for processing and trading throughout the year, hence the inventory holding normally remains high in this industry.

Susceptibility to adverse regulatory changes and climatic conditions

Tobacco industry is highly susceptible to adverse regulatory changes due to restrictive government policies in the form of excise duties and imposition of multiple taxes. Moreover, in order to maintain acceptable level of quality of processed tobacco, sourcing of quality tobacco is prerequisite. The availability of quality tobacco depends on the climatic conditions and in an event of any adverse climatic events like untimely rains, drought, etc. may limit the availability of the same.

Partnership constitution of few entities

Two entities in the group i.e. Mittapalli Agro Exports (MAEX) and Mittapalli Agro Enterprises (MAE) has been constituted as partnership firm which has the risk of withdrawal of capital and may also restrict the financial flexibility at times of stress. However, the partners have been infusing USL as and when required to support operations.

Key strengths

Experienced promoters with established presence in the industry

Mr. Mittapalli Panduranga Rao is the founder of the group and has a vast experience of over four decades in the tobacco industry. Group is currently managed by the next generation of the Mitapalli family; Mr. Mittapalli Ramesh, who is the Managing Director in one of the group companies Mittapalli Agro Products Pvt Ltd (MAPPL) has over two decades of experience in Tobacco processing and exports. Mr. Mittapalli Ramesh is also managing partner in Mittapalli Agro Enterprises (MAE) and Mittapalli Agro Exports (MAEX) and is actively involve in the day-to-day operations of the group with other family members and are ably supported by technically efficient and experienced staff.

Location advantage with the presence of the unit in prime tobacco cultivating area

The group operates from Guntur, which is a prime area for the Indian tobacco Industry. Andhra Pradesh state (especially areas around Guntur) is the major hub for tobacco cultivation. The group benefits from the locational advantage for logistics with respect to raw material procurement as well as shipment of finished products. The products are shipped from the nearby ports to the export destinations. Processing unit is located near National Highway- 5 and is well connected with road, rail and sea. The tobacco leaves after procurement are processed by way of threshing and re-drying which the group gets done on job-work basis. The group has own warehouses to keep the tobaccos and is capable of handling and exporting around 7000 Tons of Tobacco annually.

Liquidity Analysis- Stretched

The liquidity position of the group is stretched characterized by elongated operating cycle and highly utilised working capital limits of around 95% for all 3 entities during the last 12-month period ended in October 2023. However, the group has no major term debt repayment obligations. Liquidity is supported by an above unity current ratio at 1.91x March 31, 2023 (PY: 1.55x) and regular infusion of funds from promoters to support the operations.

Assumptions/Covenants: NA

Environment, social, and governance (ESG) risks: Nil

Applicable Criteria

[Consolidation](#)

[Definition of Default](#)

[Policy in respect of non-cooperation by issuers](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

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

[Short Term Instruments](#)

About the company and industry

Industry Classification

Macro-Economic Indicator	Sector	Industry	Basic Industry
Fast Moving Consumer Goods	Fast Moving Consumer Goods	Cigarettes & Tobacco Products	Cigarettes & Tobacco Products

About the group:

Mittapalli Agro Group (MAG) is primarily engaged in the business of exporting of green leaf tobacco since past twenty two years, it is a closely held group by the Mittapalli family of Guntur. The group has been promoted by Mr. Panduranga Rao, the entities of the group include, Mittapalli Agro Products Pvt Ltd (MAPPL), Mittapalli Agro Exports (MAEX) and Mittapalli Agro Enterprises (MAE). The group is currently managed by the promoter's son, Mr. Mittapalli Ramesh (Managing Director) and other family members. Mittapalli Agro Group has a track record of over two decades and is engaged in the business of exporting green leaf tobacco. It procures different varieties of tobacco leaves namely Flue Cured Virginia (FCV) from the tobacco auction board and other varieties like Burely, Light Soil Burely, Air Cured, Sun Cured etc. locally from the farmers and the exports are primarily to countries like USA, Europe and Saudi Arabia. The tobacco leaves after procurement are processed by way of threshing and re-drying which the group gets done on job-work basis. There are many threshing units present in Guntur area with sufficient capacities for processing and grading of tobacco.

Brief Financials (₹ crore)	March 31, 2022 (UA)	March 31, 2023 (UA)	H1FY24 (UA)
Total operating income	121.63	190.52	90
PBILDT	7.49	7.47	-
PAT	0.73	0.93	-
Overall gearing (times)	3.98	3.76	-
Interest coverage (times)	1.16	1.10	-

A: Audited; UA: Un-audited, Note: 'the above results are latest financial results available'

About the Firm: Mittapalli Agro Exports (MAEX)

Mittapalli Agro Exports is a partnership firm formed in 2008 with current partners as Mr. Ramesh Mittapalli and Mr. Lakshmi Susmitha Mittapalli. The firm is engaged in processing, trading and exports of tobacco leaves.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	H1FY24 (UA)
Total operating income	22.68	24.54	14
PBILDT	1.64	0.95	-
PAT	0.22	0.27	-
Overall gearing (times)	2.35	1.38	-
Interest coverage (times)	1.11	0.76	-

A: Audited; UA: Un-audited, Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: Ratings of MAEX continue to remain under "Issuer Non-Cooperation" (INC) by CRISIL vide its PR dated May 17, 2024, due to lack of adequate information

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT/ ST-EPC/PSC		-	-	-	15.00	CARE D / CARE D; ISSUER NOT COOPERATING*

*Issuer did not cooperate; based on best available information.

Annexure-2: Rating History of 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/ ST-EPC/PSC	LT/ST	15.00	CARE D / CARE D; ISSUER NOT COOPERATING*	-	1)CARE BB; Stable / CARE A4 (06-Dec-23)	1)CARE BB; Stable / CARE A4 (07-Nov-22)	1)CARE BB; Stable / CARE A4 (07-Oct-21)

*Issuer did not cooperate; based on best available information.

LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: NA**Annexure 4: Complexity level of various instruments rated for this company**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT/ ST-EPC/PSC	Simple

Annexure-5: Lender details

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

Note on complexity levels of the rated instrument: CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About us:

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