

Manglam Agrotech Private Limited

September 21, 2022

Rating

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	29.52	CARE B+; Stable; ISSUER NOT COOPERATING* (Single B Plus; Outlook: Stable ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Total Bank Facilities	29.52 (₹ Twenty-Nine Crore and Fifty-Two Lakhs Only)		

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

CARE has been seeking monthly 'No Default Statement (NDS)' and information from Manglam Agrotech Private Limited (MAPL) to monitor the ratings vide e-mail communications dated July 01, 2022, and September 13, 2022, among others and numerous phone calls. However, despite our repeated requests, the company has not provided the NDS and information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The rating on MAPL's bank facilities will now be denoted as 'CARE B+; Stable; 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 ratings.

The rating constrained by small scale of operations, volatility in agro commodity prices with linkages to vagaries of monsoon and regulated nature of industry. The rating also factors in the risk associated with the expansion project, working capital intensive nature of operations, leveraged capital structure, moderate debt coverage indicators and weak liquidity condition. However, the rating derives strength from experienced promoter, proximity to the raw material sources and favourable industry scenario.

Detailed description of the key rating drivers

At the time of last rating on September 02, 2021, the following were the rating strengths and weaknesses.

Key Rating Weaknesses

Small scale of operation

MAPL is a relatively small player in the food processing industry marked by total operating income of Rs.88.47 crore with a PAT of Rs.0.35 crore in FY21. Further, the net worth base and total capital employed was low at Rs.8.42 crore and Rs.32.79 crore, respectively, as on March 31, 2021. The small size restricts financial flexibility in times of stress. Further, the total operating income of the company remained broadly stable in FY21. Led by lower volumes of wheat flour division, TOI declined by 0.58% y-o-y in FY21 (prov.). The PBILDT margins continued to be moderate, however, absolute PBILDT levels increased due to decline in average purchases price of wheat in FY21. The interest coverage though deteriorated due to increase in interest expenses, continued to be moderate at 2.17x in FY21 vis-à-vis 2.31x in FY20. The company has booked turnover of Rs.28 crore during 4MY22 as maintained by the management.

Risk associated with expansion project

The company is expanding its rice milling capacity to 1,00,800 tons per annum from 57,600 tons per annum with an aggregate cost of Rs.16.88 crore. The expansion project is expected to be funded through term loan of Rs.11.00 crore and balance through unsecured loans from promoters of Rs.5.88 crore from promoters and associates. The promoters have already infused unsecured loans and spent Rs.1.00 crore (i.e.5.92% of total project cost) towards the expansion project till July 31, 2021. Therefore, the project is into very nascent stage of implementation. Further, the financial closure for the debt portion of the project is not yet tied up. Moreover, the expansion project is expected to commence operation towards the end of FY22.

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

Linkages to vagaries of the monsoon

MAPL is primarily engaged in the processing of rice & wheat products in its mills. The cultivation of agro products is highly dependent on the monsoon. Unpredictable weather conditions could affect the output of agro products and result in volatility in prices. In view of seasonal availability of agro products, working capital requirements remain high at season time owing to the requirement for stocking of paddy & wheat in large quantity. The raw material cost is the major cost driver for the company which accounts for 82-94% of total cost of sales during last 4 years.

Regulated nature of the industry

The Government of India (GoI), every year decides a minimum support price (MSP) to be paid to paddy and wheat growers which limits the bargaining power of millers over the farmers. The MSP of paddy was increased during the crop year 2021-22 to Rs.1940/quintal from Rs.1868/quintal in crop year 2020-21. The MSP of wheat was increased during the crop season 2020-21 to Rs.1975/quintal from Rs.1925/quintal in 2019-20. Given the market determined prices for finished product vis-à-vis fixed acquisition cost for raw material, the profit margins are highly vulnerable to change in government policies.

Working capital intensive nature of operations

The food processing business being a working capital-intensive operation, requires large amount of working capital mainly during the harvesting seasons when prices remain low and the company procures major raw material during these times. Further it requires to allow credit of around one and half months to its customers which also resulting into high working capital intensity of its operations. The debtors increased to Rs.10.30 crore as on March 31, 2021 from Rs.7.72 crore as on March 31, 2020 on the back of slow realisations owing to COVID pandemic. The fund based utilisations remained almost full during last 12 months ended June 30, 2021.

Leveraged capital structure with moderate debt coverage indicators

The company has availed Covid loan of Rs.2.93 crore and vehicles loans of Rs.0.41 crore during FY21. This apart, it has also availed adhoc fund-based limits of Rs.2.00 crore as on March 31, 2021 which has resulted in deterioration in overall gearing ratio to 2.93x as on March 31, 2021 as against 2.51x as on March 31, 2020. The debt coverage indicators also remained moderate in last three years (FY19-FY21). The total debt to GCA deteriorated as on March 31, 2021 and the same remained at 12.62x as on March 31, 2021 as against 10.71x as on March 31, 2020.

Key Rating Strengths**Experienced promoters**

The company is into food processing business since 2010 and thus has over a decade of track record of operations. Due to satisfactory track record of operations the company has established satisfactory relationship with its clients. Furthermore, the key promoter; Mr. Alok Khemka has more than a decade of experience in agro food processing industry, looks after the day to day operations of the company. He is supported by another promoter Mrs. Madhumita Khemka.

Proximity to raw material sources

MAPL plant is located at Bhadrak district of Odisha which is close to wheat and paddy growing region in eastern India resulting in lower logistic expenditure (both on transportation and storage), easy availability and procurement of raw materials at effective prices.

Favourable Industry Outlook

India is second largest producer of paddy in the world after China. Rice is a staple crop for 70% of the world and thus the demand for rice is expected to continue to grow. The food security concerns all over the world is driving the growth of the Indian rice industry, which by exporting rice to various countries is contributing towards global food security. Wheat based products, viz. Maida, Sooji, Bran and Atta have large consumption across the country in the form of bakery products, cakes, biscuits and different types of food dishes in homes and restaurants. The demand has been driven by the rapidly changing food habits of the average Indian consumer, dictated by the lifestyle changes in the urban and semi-urban regions of the country.

Liquidity: Stretched

The company has stretched liquidity position as reflected by almost full utilization of fund-based limits. The company has a term debt obligation of Rs.0.67 crore in FY22 and cash accruals are expected to be sufficient to repay them. The average 3 CARE Ratings Limited Rationale-Press Release fund-based utilisation of the company remained high at around 97% during the last 12 months ended June'21. As per the discussion with the banker, the company has availed moratorium over interest on cash credit for the month of March to August' 20, it has also availed Guaranteed Emergency Credit line for Rs.2.93 crore. While both debtors and inventory increased in FY21, creditors witnessed decline leading to increase in operating cycle and negative cash flow from operations.

Analytical approach: Standalone

Applicable criteria

[Policy in respect of Non-cooperation by issuer](#)

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

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

[Rating Outlook and Credit Watch](#)

[Manufacturing Companies](#)

About the company

Incorporated in March 2008, Manglam Agrotech Private Limited (MAPL) is promoted by Mr. Alok Khemka and Mrs. Madhumita Khemka and is engaged in rice and wheat milling activities. The company has commenced the commercial operations of rice processing at its plant from February 2010 and wheat processing from January 2019. The rice milling and processing plant of the company is located at Bhadrak, Odisha with an installed capacity of 57,600 tons per annum of rice and 15,000 tons per annum for wheat. This apart, it has also added pulses processing into besan with an installed capacity of 10,000 tons per annum during FY21 but operation of the same is not yet started due to on-going covid pandemic leading to low demand of besan. The company procures paddy and wheat from local farmers and traders and after processing, the final products are sold to distributors/wholesalers in the state of Odisha, Tamil Nadu, Kerala, West Bengal etc. under its brand 'Manglam'. The company is expanding its rice milling capacity to 1,00,800 tons per annum from 57,600 tons per annum.

Brief Financials (₹ crore)	March 31, 2020 (A)	March 31, 2021 (A)	March 31, 2022	Q1FY23
Total operating income	88.99	89.35	NA	NA
PBILDT	3.62	3.97	NA	NA
PAT	0.35	0.37	NA	NA
Overall gearing (times)	2.51	2.97	NA	NA
Interest coverage (times)	2.31	2.12	NA	NA

A: Audited

Status of non-cooperation with previous CRA: Nil

Any other information: Not Applicable

Rating history for the last three years: Please refer Annexure-2

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

Complexity level of various instruments rated for this company: Annexure-4

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 along with Rating Outlook
Fund-based - LT-Term Loan		-	-	March 2023	13.57	CARE B+; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Cash Credit		-	-	-	14.00	CARE B+; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Working capital Term Loan		-	-	June 2024	1.95	CARE B+; Stable; ISSUER NOT COOPERATING*

Annexure-2: Rating history for the 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 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Term Loan	LT	13.57	CARE B+; Stable; ISSUER NOT COOPERATING *	-	1)CARE B+; Stable (02-Sep-21) 2)CARE B; Stable; ISSUER NOT COOPERATING * (29-Apr-21)	-	1)CARE B+; Stable; ISSUER NOT COOPERATING * (14-Feb-20)
2	Fund-based - LT-Cash Credit	LT	14.00	CARE B+; Stable; ISSUER NOT COOPERATING *	-	1)CARE B+; Stable (02-Sep-21) 2)CARE B; Stable; ISSUER NOT COOPERATING * (29-Apr-21)	-	1)CARE B+; Stable; ISSUER NOT COOPERATING * (14-Feb-20)
3	Fund-based - LT-Working capital Term Loan	LT	1.95	CARE B+; Stable; ISSUER NOT COOPERATING *	-	1)CARE B+; Stable (02-Sep-21)	-	-

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities: Not Applicable

Annexure-4: Complexity level of various instruments rated for this company

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Fund-based - LT-Working capital Term Loan	Simple

Annexure-5: Bank lender details for this company

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

Note on complexity levels of the rated instruments: CARE Ratings 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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