

Rating Advisory

October 22, 2020 | Mumbai

Advisory as on October 22, 2020

This rating advisory is provided in relation to the rating of M.P. Agro Nutri Foods Limited

CRISIL vide its publication dated October 14, 2020 highlighted the aspect of non-co-operation by M.P. Agro Nutri Foods Limited

M.P. Agro Nutri Foods Limited has now shared the information requested and is cooperative.

You may access the Rating Rationale as appended below.

Rating Rationale

July 30, 2019 | Mumbai

M.P. Agro Nutri Foods Limited

Ratings Reaffirmed

Rating Action

Total Bank Loan Facilities Rated	Rs.35.5 Crore
Long Term Rating	CRISIL BBB-/Stable (Reaffirmed)
Short Term Rating	CRISIL A3 (Reaffirmed)

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL has reaffirmed its ratings on the bank facilities of M.P. Agro Nutri Foods Limited (MP Agro) at ' CRISIL BBB/Stable/CRISIL A3+'.

The ratings continue to reflect established track record, strong association with M.P. State Agro Industries Development Corporation Limited (MPSAIDCL) supported by promoters' extensive industry experience and its comfortable financial risk profile marked by high net worth, low gearing and comfortable debt protection metrics. These strengths are partially offset by risks pertaining to changes in central/state government supplementary nutrition food (SNF) policies, tender driven nature of business and customer concentration risk.

Key Rating Drivers & Detailed Description

Strengths

*** Extensive experience of promoters, established track record of association with MPSAIDCL and exclusive SNF supply contract**

The promoters possess over 15 years of experience in supplying flour and other food items to MPSAIDCL, a state government agency under the Integrated Child Development Services (ICDS) scheme. The company's ability to maintain healthy and requisite product quality while meeting stringent delivery timelines enabled it to obtain repeat tender allocation since over past 10 years and the same is expected to support its business risk profile going forward.

*** Comfortable financial risk profile**

MP Agro's financial risk profile has improved over the years with steady accretions to reserves as reflected in strong networth of Rs 85.6 Cr and capital structure marked by gearing and total outside liabilities to adjusted networth (TOLANW) of 0.3 and 0.54 times, respectively, as on March 31, 2019. Debt protection metrics are healthy, as reflected in interest coverage and net cash accrual to adjusted debt ratios of over 22 times and 64% respectively, for fiscal 2019. These metrics should remain strong backed by healthy cash accrual and absence of any major capital expenditure plans.

Weakness

*** Susceptibility to changes in central/state government SNF policies and tender based nature of business**

Business risk profile is dependent on central/state government SNF policies and the tender based nature of operations. Any change in government scheme/policy regarding supply of SNF or tender award system by state nodal agency/government will impact the scale of operations and profitability. However, these is partly mitigated by MPSAIDCL's 30% stake in MP Agro.

* Customer concentration risk

MP Agro supplies SNF only to MPSAIDCL which exposes it to customer concentration risk. Further, supply of SNF is highly government regulated in terms of pricing, product specification, delivery timelines, etc. and any deviation in which might lead to cancellation of orders or penal charges for MP Agro.

Liquidity

MP Agro has adequate liquidity driven by expected cash accruals of around Rs. 16.5-17.5 crore per annum in fiscal 2020 and fiscal 2021 as well as cash & bank balance of Rs 43.46 Cr as on March 31, 2019. MP Agro also has access to fund based limits of Rs. 25 Cr, which was 45% utilized on average over the past 12 months ended May 2019. The company has modest repayment obligations of Rs 0.14 Cr in each of fiscal 2020 and fiscal 2021 and has no major capex plans. CRISIL expects internal accruals and cushion in bank lines to be sufficient to meet its incremental working capital requirements.

Outlook: Stable

CRISIL believes that MP Agro will benefit over the medium term from its established track record of promoters and association with state nodal agency. The outlook may be revised to 'Positive' if company receives any long term orders mitigating the risk arising from short term tenders providing strong revenue visibility over the medium term, while maintaining its financial and liquidity profile. Conversely, the outlook may be revised to 'Negative' if significant decline in revenue or profitability, stretch in working capital cycle, or large debt funded capital expenditure impacts financial risk profile.

About the Company

MP Agro, incorporated in 2009, manufactures and supply SNF to MPSAIDCL under the Integrated Child Development Services (ICDS) scheme of the Ministry of Women and Child Development department of Government. Company is managed by Mr. Jai Perulia, Mr. Anil Jain and Mr. Narendra Jain and has its manufacturing facility near Indore (Madhya Pradesh). MPSAIDCL, a state government entity, holds 30% stake in the company.

Key Financial Indicators

Particulars	Unit	2019*	2018
Revenue	Rs. Cr.	259.3	239.9
Profit After Tax	Rs. Cr.	16.0	9.3
PAT Margins	%	5.3	3.9
Adjusted Debt/Adjusted Net worth	Times	0.3	0
Interest coverage	Times	22.0	12.3

*Provisional numbers

Any other information: Not applicable

Note on complexity levels of the rated instrument:

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Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs crore)	Rating assigned with outlook
NA	Bank Guarantee	NA	NA	NA	10.5	CRISIL A3
NA	Cash Credit	NA	NA	NA	25	CRISIL BBB-/Stable

Annexure - Rating History for last 3 Years

Instrument	Type	Current		2019 (History)		2018		2017		2016		Start of 2016
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund-based Bank Facilities	LT/ST	25.00	CRISIL BBB-/Stable			28-08-18	CRISIL BBB-/Stable	25-05-17	CRISIL BBB/Stable			--
Non Fund-based Bank Facilities	LT/ST	10.50	CRISIL A3			28-08-18	CRISIL A3	25-05-17	CRISIL A3+			--

All amounts are in Rs.Cr.

Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Bank Guarantee	10.5	CRISIL A3	Bank Guarantee	10.5	CRISIL A3
Cash Credit	25	CRISIL BBB/Stable	Cash Credit	25	CRISIL BBB/Stable
Total	35.5	--	Total	35.5	--

Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

[Rating criteria for manufacturing and service sector companies](#)

[Rating Criteria for Fast Moving Consumer Goods Industry](#)

[CRISILs Bank Loan Ratings](#)

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