



## Press Release

Annapurna Industries

Aug 25, 2020

### Rating

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Ratings	Rating Action
1.	Long Term Bank Facilities	9.00	IVR BB+/ Stable Outlook (IVR Double B Plus with Stable Outlook)	Assigned

Details of Facilities are in Annexure 1

### Detailed Rationale

The rating assigned to the bank facilities of Annapurna Industries(AI) draws comfort from the company's experienced and resourceful promoters, proximity to paddy growing areas and moderate working capital intensive nature of operations. The ratings also positively consider moderate financial risk profile with comfortable capital structure. These strengths are partially offset by its modest scale of operations, exposure to agro climatic risk and vulnerability to changes in government policies. The rating also considers its competitive and fragmented nature of rice processing business and inherent risk of proprietorship firm.

### Key Rating Sensitivities:

#### Upward Factor:

- Growth in scale of operation with improvement in profit margins leading to improvement in cash accruals and liquidity position on a sustained basis
- Sustained improvement in EBITDA margin leading to substantial improvement in debt protection metrics.

#### Downward factor:

- Working capital cycle lengthens, leading to deterioration in liquidity
- Undertakes large, debt funded capital expenditure, weakening its capital structure.

### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

- Experienced and resourceful promoters



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The firm was established under the guidance of Mr. Bhuneshwar Tiwari who has over 15 years of experience in rice mill industry. The promoters are well assisted by a team of professionals having relevant industry experience in the day-to-day operations. Long-standing presence of the promoters in the industry has helped the company to establish healthy relationship with its customers and suppliers and to get repetitive orders from its customers.

- **Proximity to paddy growing areas:**

The firm manufacturing facility is located in Mirzapur, Uttar Pradesh which is easily accessible to many paddy producing districts. The presence in paddy growing area gives a competitive advantage in terms of easy availability of paddy, lower freight, and favourable pricing terms.

- **Moderate Financial Risk Profile with comfortable capital structure:**

The capital structure of the firm is improving over the last three years. The overall gearing ratio gradually improved from 3.26x as on March 31, 2017 to 2.25x as on March 31, 2019 driven by scheduled repayment of term loans and steady accretion of profit to net worth. The overall gearing is comfortable on March 31, 2020(Prov) at 0.64x due to negligible long term debt and infusion of capital by proprietor. Total indebtedness of the company reflected in TOL/TNW improved from 4.12x as on March 31, 2019 to 1.63x on March 31, 2020(Prov) driven by Infusion of capital of Rs 6.69 crore in FY20 . Total debt of the firm includes Rs 1.41 crore term loan with repayment of Rs 0.64 crore and bank borrowing of Rs 8.98 crore as on March 31, 2019. With improvement in absolute in EBITDA and cash accruals in FY19, Interest coverage ratio improved from 2.53x in FY17 to 3.32x in FY19. Interest coverage ratio stood at 5.52x in FY20.

- **Moderate Working capital intensive nature of operations:**

AI has a satisfactory operating cycle of 28 days in FY19 and 18 days in FY20 (Prov). The firm procures raw material locally from farmers or brokers on a credit period of 30 days, holds inventory for period of 35 days and offers credit period of 15 to 30 days to its customer as on March 31, 2019. The company has utilized ~89% of working capital in 12 months ended March, 2020. The current and quick ratios remained moderate at 1.19x and 0.62x respectively as on March 31, 2019.



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### Key Rating Weaknesses

- **Modest scale of operations:**

AI has y-o-y growth of ~3.00% in FY19. The increase in revenues driven by increase in order received from repetitive and new customers leading to increase capacity utilisation. In FY20(Prov), the firm has achieved a revenue of Rs.191.61 crore.

- **Competitive and fragmented nature of rice processing business :**

The rice processing business is highly competitive due to low entry barriers which results in intense competition from both the organised as well as unorganised players in the industry. The firm is exposed to intense competition in the industry leading to pressure on margins going ahead.

- **Exposure to agro-climatic risk:**

Cultivation of paddy, the primary raw material depends on monsoon and availability of irrigation. Further, price of paddy is highly volatile and influenced by climatic conditions. SNPL is susceptible to any shortage or price fluctuation during unfavourable climatic conditions and hence the raw material needs to be adequately stocked for the processing during non-season period.

- **Vulnerability to changes in Government policies:**

The rice industry is regulated in terms of paddy prices, export/import of rice, and the release mechanism. Thus, the company remains exposed to changes in Government policies in relation to stipulation of MSP for procurement of paddy from farmers and revision of policies on export, etc.

- **Inherent risk of proprietorship firm:**

Being a Proprietorship firm, it is vulnerable to capital withdrawals by the proprietor and extent of withdrawal going forward will remain a key monitorable.

**Analytical Approach:** Standalone



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### Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

### Liquidity – Adequate

AI has earned a GCA of Rs.2.89 crore compared to its debt obligation of Rs.0.64 crore in FY19. The firm has adequate liquidity marked by its cash accruals against negligible repayment obligations further the proprietor has infused Rs 6.69 crore into the firm as capital in FY20 . However, the average utilisation of its working capital limit was utilised at ~89% in the last 12 months ended on March 2020. The current and quick ratios remained moderate at 1.19x and 0.62x respectively as on March 31, 2019

### About the Company

Annapurna Industries was set up as a proprietorship firm at Mirzapur (U.P) in 2010 by the proprietor Ms Susheela Devi . The firm started it's commercial operations in 2011 and is engaged in milling of paddy to produce raw rice, rice bran and husk with an installed capacity of 30MT/hours for Paddy Milling and 20MT/hour of processing of rice. The firm operates in Non-Basmati Rice segment. The over-all management of the firm is looked after by Mr. Bhuneshwar Tiwari (son of prop) having experience of fifteen years in rice milling industry and is supported by a team of experienced and qualified professionals in managing the affairs of the company.

### Financials (Standalone):

(Rs. crore)

For the year ended*/As on	31-03-2019	31-03-2020
	Audited	Provisionals
Total Operating Income	127.17	191.61
EBITDA	3.71	5.48
PAT	1.33	3.10
Total Debt	11.03	9.03
Tangible Net worth	4.90	14.18
EBITDA Margin (%)	2.92	2.86
PAT Margin (%)	1.05	1.61
Overall Gearing Ratio (x)	2.25	0.64

*\*Classification as per Infomerics' standards*



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**Status of non-cooperation with previous CRA:** Issuer rating withdrawn by CRISIL vide press release dated March 18, 2020 as per NOC issued by banker.

**Any other information:** Nil

**Rating History for last three years:**

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Long Term Fund Based Limits – Cash Credit	Long Term	9.00	IVR BB+/Stable	-	-	-

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).

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**About Infomerics:**

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.



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### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facility-Cash Credit	-	-	-	9.00	IVR BB+/Stable