



Press Release

M.C Traders

July 11, 2022

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Rating	Previous Rating	Rating Action	Complexity Indicator
Long Term Bank Facilities	10.83	IVR BB; Stable Outlook (IVR Double B with Stable Outlook)	IVR BB; Stable Outlook (IVR Double B with Stable Outlook)	Reaffirmed	Simple
Total	10.83	Rupees Ten Crore and Eighty-Three lakhs Only			

Details of Facilities are in Annexure 1

Detailed Rationale

Infomerics Valuation and Rating Private Limited (IVR) has reaffirmed the long-term rating of IVR BB/Stable for the bank loan facilities of M.C Traders.

The rating draws comfort from the extensive industry experience of the promoter and Increase in scale of operations. However, these strengths are partially offset by modest scale of operations, leveraged capital structure with moderate debt protection metrics, proprietorship nature of constitution and profitability remains vulnerable to agro-climatic conditions and Government regulation.

IVR has principally relied on the standalone audited financial results of M.C Traders upto 31 March 2021, provisional financials for FY 22 and projected financials for FY23, FY24 and FY25, and publicly available information/ clarifications provided by the company's management.

Key Rating Sensitivities:

Upward Factors

- Continuous growth in revenue along with healthy profitability and debt metrics
- Improvement in management of liquidity

Downward Factors

- Fall in revenue and deterioration of debt protection metrics.
- Stretching of working capital cycle and requirements



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Extensive industry experience of the promoter

Extensive experience of promoter in the dairy products industry for milk procurement and processing to scale up operations continuously has enabled the promoter to understand market dynamics. The company is benefited by experienced management, who has helped the company to maintain healthy and long-standing relationship with the customers.

Increase in scale of operations

Over the past three financial years, (FY20-FY22) total operating income of M.C Trader's has increased from Rs. 45.37 crore in FY 20 to Rs. 70.45 crore in FY22(Provisionals) by a CAGR of ~25%. Gross Cash Accruals of the company have also improved in FY22(Provisionals) to Rs. 2.24 crore from Rs. 1.22 crore in FY20.

Key Rating Weaknesses

Modest scale of operations

MC Traders is relatively a small player in dairy industry with total operating income of Rs 70.45 crore and PAT of Rs 0.72 crore in FY 22(Provisionals). The small scale restricts the financial flexibility of the firm in times of stress. EBITDA margin and PAT margin were 7.69% and 1.02% respectively in FY22(Provisionals)(6.94% and 1.01% in FY 21).

Leveraged capital structure with moderate debt protection metrics

The firm's net worth was moderate at Rs 16.52 crore with leveraged capital structure marked by analysed overall gearing and TOL/TNW at 1.38 times and 2.59x respectively as on March 31, 2022(Provisionals). Unsecured loan from proprietor and his family friend of Rs 9.00 crore is considered as quasi equity. However, ISCR remained satisfactory at 1.72 times in FY22(Provisionals) The total debt/EBITDA deteriorated and stood at 6.92 years in FY2(Provisionals)(4.01 years in FY 21).



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Proprietorship nature of constitution

MC Traders, being a proprietorship entity, is exposed to inherent risk of proprietor's capital being withdrawn at the time of personal contingency and entity being dissolved upon the retirement/insolvency of the proprietor. Furthermore, proprietorship entities have restricted access to external borrowing as credit worthiness of proprietor would be the key factors affecting credit decision for the lenders.

Profitability remains vulnerable to agro-climatic conditions and Government regulation:

Like all other agriculture-based products, production and pricing of milk and milk products is sensitive to environmental conditions and Government regulations. At times when there is shortage of liquid milk, the demand for SMP increases, leading to significant increase in its prices and vice versa. A steep decline in prices of SMP may lead to increase in inventory holding. Due to intense competition, agro climatic condition and government regulation the profit margins remains volatile.

Analytical Approach: For arriving at the ratings, IVR has analyzed M.C Trader's credit profile by considering the standalone financial statements of the company.

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

Liquidity – Adequate

MC Traders has an adequate liquidity with gross cash accrual of Rs 2.24 crores against repayment of Rs 0.96 crore as on March31,2022(Provisionals). The working capital limit remained highly utilised at ~98% over the twelve months ended March 2022. The current ratio stood at 2.33x March 31,2022(Provisional). The firm has expected cash accrual in the



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range Rs 1.50 to 2.00 crore with repayment of Rs 0.19 to Rs 0.96 crore. Liquidity is further supported by continuous infusion of equity and unsecured loans by the proprietor.

About the company

M.C Traders was established in 1982 as a proprietorship firm by Mr. Rakesh Kumar. MCT is engaged in manufacturing dairy products like desi ghee, lassi, curd, paneer under the brand name of "Today Milk". The manufacturing plant of the firm is situated in Nihal Singh Wala, Moga District, Punjab., with a milk processing capacity of ~ 1 lakhs litres per day in peak season.

Financials (Standalone):

For the year ended as on	31-03-2021	31-03-2022
	Audited	Provisionals
Total Operating Income	56.32	70.45
EBITDA	3.91	5.42
PAT	0.57	0.72
Total Debt	15.67	37.49
Adjusted Tangible Net worth	16.64	35.94
EBITDA Margin (%)	6.94	7.69
PAT Margin (%)	1.01	1.02
Analysed Overall Gearing Ratio (x)	0.76	0.50

Status of non-cooperation with previous CRA: Nil

Any other information: Not Applicable

Rating History for last three years:

(Rs. Crore)

Sr. No.	Name of Instrument /Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Tenure	Amount	Rating	Date(s) & Rating(s) assigned in 2021-22(May 07, 2021)	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Fund based	Long Term	10.83	IVR BB/Stable(IVR Double B with Stable Outlook)	IVR BB/Stable(IVR Double B with Stable Outlook)	-	-



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Name and Contact Details of the Rating Analyst:

Name: Aakash Malhotra	Name: O.P. Jain
Tel: (011) 2465 5636	Tel: (011) 2465 5636
Email: aakash.malhotra@infomerics.com	Email: opjain@infomerics.com

About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI). Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating. Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks. Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit www.infomerics.com

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.



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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
Term Loan	-	-	June 2027	1.15	IVR BB/Stable(IVR Double B with Stable Outlook)
CRCS	-	-	November 2023	0.19	IVR BB/Stable(IVR Double B with Stable Outlook)
GECL	-	-	May 2024	0.86	IVR BB/Stable(IVR Double B with Stable Outlook)
GECL Ext	-	-	October 2026	1.13	IVR BB/Stable(IVR Double B with Stable Outlook)
Cash Credit	-	-	-	7.50	IVR BB/Stable(IVR Double B with Stable Outlook)

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-MC-Traders-july22.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

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 [Complexity Level of Rated Instruments/Facilities](#).