



Press Release

M.C. Foods & Nutrition (Formerly M C Traders)

September 23, 2024

Ratings

Sl. No.	Instrument/ Facility	Amount (Rs. Crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
1.	Long Term Bank Facilities	19.60	IVR BB+/Stable (IVR Double B Plus with Stable Outlook)	IVR BB+/Stable (IVR Double B Plus with Stable Outlook)	Reaffirmed	Simple
	Total	19.60	Rupees Nineteen Crore and Sixty Lakhs Only			

Details of Facilities are in Annexure 1

Facility wise lender details are at Annexure 2

Detailed explanation of covenants is at Annexure 3

Detailed Rationale

Infomerics Valuation and Rating Private Limited (IVR) has reaffirmed the long term rating of IVR BB+ with Stable outlook for the bank loan facilities of M.C Food & Nutrition (MCFN).

The rating continues to draw comfort from its experienced promoters and long track record of operations, improvement in the scale of operations, moderate financial risk profile. However, these rating strengths are partially offset by elongated operating cycle, dairy companies face intense competition from organized cooperatives, private firms, and the unorganized sector, which pressures their profitability, milk production is vulnerable to external factors like climate conditions and cattle diseases, proprietorship nature of constitution.

The stable outlook on the rating reflects the sustained demand for the products which is expected to maintain stable revenue stream. Apart, it also factors in the extensive experience of the promoters in the manufacturing of milk and milk products.

IVR has principally relied on the audited financial results of MCFN's up to 31 March 2023, FY2024 (refers to period from 1st April 2023 to 31st March 2024) unaudited management certified provisional results and projected financials for FY25, FY26 and FY27, and publicly available information/ clarifications provided by the firm's management.

Upward factors

- Continuous growth in revenue above Rs.130.00 crore along with healthy profitability and debt metrics.
- Improvement in management of liquidity.



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Downward factors

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

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced promoters and long track record of operations:**
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 firm benefits by experienced management, who has helped the firm to maintain healthy and long-standing relationship with the customers.
- **Improvement in the scale of operations:**
The total operating income has increased by 6.54% to Rs. 116.26 crore in FY2024 (Provisional) from Rs.109.12 crore in FY2023 due to increase pent up the demand of the product into the market. Further, the EBIDTA margins improved from 7.87% in FY2023 to 8.86% in FY2024 (Provisional). PAT margin has remained constant at 0.95% in FY2024 (Provisional) as compared to 0.91% in FY2023.
- **Moderate financial risk profile:**
The Adjusted Tangible Net Worth of the firm stood at Rs.44.47 crore as on March 31, 2024 (Provisional). Unsecured loans of Rs.34.41 crore as on March 31, 2024, have been considered as quasi-equity as the same are subordinate to bank debt. The overall gearing stood moderate at 0.67x as on March 31, 2024 (Provisional). Further, total indebtedness of the firm as reflected by TOL/TNW remained moderate at 0.88x as on March 31st, 2024 (Provisional). In terms of the debt protection metrics, the interest service coverage ratio (ISCR) remained moderate at 1.43x in FY2024 (Provisional) as compared to 1.54x in FY2023, and the debt service coverage ratio (DSCR) remained moderate at 1.27x in FY2024 (Provisional) as compared to 1.34x in FY2023.

Key Rating Weaknesses

- **Elongated operating cycle:**
Operations of the firm are working capital intensive as marked by elongated operating cycle of around 192 days for FY2024 (Provisional). The company is required to maintain an adequate quantity of raw materials and finished products to ensure smooth production and to meet demand of customers which has led to inventory holding period of 207 days for FY2024 (Provisional). The company receives a credit period of around 24 days from its suppliers for FY2024 (Provisional). The average utilization of the working capital limits remained around 97.32% for the last 12 months period ended July 2024.



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- **Dairy companies face intense competition from organized cooperatives, private firms, and the unorganized sector, which pressures their profitability:**

The milk and milk products industry are characterized by intense competition from organized co-operatives, large private players, and unorganized players. Apart from this, the profitability of dairy entities also remains vulnerable to the skimmed milk powder inventories as well institutional demand, any adverse movement is likely to have a bearing on their profitability. The company's profitability has remained under pressure with EBIDTA margins at around 8% in the past fiscals while the net profit margins have remained below 1% in the past fiscals. Margin expansion will be a key monitor going forward.

- **Milk production is vulnerable to external factors like climate conditions and cattle diseases:**

Milk availability is influenced to a great extent by agro-climatic conditions, which plays a major influence in the tropics. The industry is vulnerable to risks associated with the failure of milk production due to external factors like cattle diseases and extension of the lean season due to drought-like conditions, which ultimately affects milk availability and hence prices. The price of the dairy industry's raw material, milk, is sensitive to Government policies, environmental conditions factors.

- **Proprietorship nature of constitution:**

M.C Foods and Nutrition, 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.

Analytical Approach: For arriving at the ratings, IVR has analysed MCFN's credit profile by considering the standalone financial statements of the company.

Applicable Criteria:

[Rating Methodology for Manufacturing Companies.](#)

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

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition](#)

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



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Liquidity – Adequate

M.C. Food and Nutrition has an adequate liquidity with gross cash accrual of Rs.2.83 crore against repayment of Rs.0.78 crore as on March 31,2024 (Provisionals). The current ratio stood at 1.66x March 31, 2024 (Provisional). The firm has expected cash accrual in the range Rs 2.97 to 3.30 crore with repayment of Rs.0.87 and Rs.0.18 crore in projected years from FY2025-27. Liquidity is further supported by continuous infusion of equity and unsecured loans by the proprietor.

About the Company

M.C. Foods and Nutrition was founded by “Goyal Brothers”, Mr. Varinder Kumar, Mr. Rakesh Kumar, Mr. Kamaldeep and Mr. Praveen Goyal. Established in 1982 as a proprietorship firm by Mr. Rakesh Kumar. The firm has been involved in Dairy business since 2004 in Punjab, India. MCFN is engaged in manufacturing dairy products like desi ghee, lassi, curd, paneer under the brand name of “Today Milk” and is one of the leading manufacturer and supplier of wide range of Dairy Products in areas such as Punjab, Haryana and Himachal Pradesh. With an extensive range of Milk and Milk Products and Dairy Product catering to people of all age and food industry. Today Milk, one of the leading manufacturer and supplier of pasteurised milk, desi ghee, butter, paneer, flavoured milk and all kinds of dairy products; with state-of-the-art automatic manufacturing plant in the most hygienic conditions with a profound understanding in every stage of the processing.

Financials (Standalone):

For the year ended*/As on	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Provisional
Total Operating Income	109.12	116.26
EBITDA	8.59	10.30
PAT	0.99	1.11
Total Debt	35.33	29.65
Tangible Net worth	9.06	10.06
EBITDA Margin (%)	7.87	8.86
PAT Margin (%)	0.91	0.95
Overall Gearing Ratio (x)	0.79	0.67
Interest Coverage Ratio (x)	1.54	1.43

**Classification as per Infomerics’ standards*

Status of non-cooperation with previous CRA: Brickwork vide press release dated January 2, 2024, has continued to classify the case under Issuer Not Cooperating category on account of non-submission of relevant information.

Any other information: Nil



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Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24 (August 07, 2023)	Date(s) & Rating(s) assigned in 2022-23 (July 11, 2022)	Date(s) & Rating(s) assigned in 2021-22 (May 07, 2021)
1.	Fund Based	Long Term	19.60	IVR BB+/Stable	IVR BB+/Stable	IVR BB/Stable	IVR BB/Stable

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit www.infomerics.com.



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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	-	-	March 2027	0.72	IVR BB+/Stable
GECL	-	-	December 2026	0.88	IVR BB+/Stable
Cash Credit	-	-	-	18.00	IVR BB+/Stable

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-mcfn-sep24.pdf>

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

Annexure 4: List of companies considered for consolidated/Combined analysis: 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](#).