MRMC Foods Private Limited

May 6, 2025

Ratings

Sl. No.	Instrument/ Facility	Amount (Rs. Crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
1.	Long Term Bank Facilities	101.20	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	IVR BB+/Stable (IVR Double B Plus with Stable Outlook)	Rating Upgraded	Simple
2.	Short Term Bank Facilities	11.00	IVR A3 (IVR A Three)	IVR A4+ (IVR A Three Plus)	Rating Upgraded	Simple
	Total	**112.20**	**Rupees One Hundred Twelve Crore and Twenty Lakh Only**			

Details of Facilities/Instruments are in Annexure 1.
Facility wise lender details are at Annexure 2.
Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics Ratings has upgraded the long-term rating to IVR BBB- with Stable outlook and the short-term rating to A3 for the bank loan facilities of MRMC Foods Private Limited (MFPL).

The rating continues to draw comfort from the experienced promoters and long track record of operations, benefits of being situated in Punjab, a rice-growing state in northern India, improving scale of operations, and favourable demand for rice and rice products. However, these rating strengths are partially offset by moderate capital structure and average debt protection metrics, elongated operating cycle, exposure to agro-climate risks and vulnerability to regulatory changes; and fragmented nature of industry leading to thin profit margins.

The ‘Stable’ outlook reflects the sustained demand for the rice and rice products, domestic and overseas which is expected to maintain stable revenue stream. Further, the company’s has extensive experience of the promoters in the paddy processing business will be maintained over the medium term.

IVR has principally relied on the audited financial results of MFPL up to 31 March 2024, (i.e. review period from 1st April 2023 to 31st March 2024), and projected financials for FY2025, FY2026 and FY2027 and publicly available information/ clarifications provided by the company’s management.

Key Rating Sensitivities:

Upward Factors

- Sustainable growth in scale of operations (TOI) above Rs. 385.00 crore with improvement in profit margins.
- Improvement in the capital structure with further improvement in debt protection metrics.

Downward Factors

- Significant decline in operating income and/or profitability further impacting the debt coverage indicators.
- Moderation in capital structure in overall gearing ratio to more than 3x.

List of Key Rating Drivers with Detailed Description

A. **Key Rating Strengths**

- **Experienced promoters and long track record of operations:**
  The promoters, Mr. Rajiv Mangal and Mr. Praveen Mangal, have long-standing presence in the rice industry which has helped them to build established relationship with both customers and suppliers. On the back of long-standing experience of the promoters, the company enjoys established and healthy relationships with its customers and suppliers, which enables the company to receive repeat orders, with a strong order book position. The company is likely to benefit from the extensive experience of its promoters going forward.

- **Benefits of being situated in Punjab, a rice-growing state in northern India:**
  MRMC Foods Pvt Ltd is engaged in milling and processing of rice. Favourable location of the plant near paddy growers in Firozpur, Punjab has led to development of long-term relationships with the suppliers thereby facilitating easy procurement of raw materials. Ample water supply with presence of alluvial soil and other topographical advantages favour paddy growth in Punjab also ensuring its sustainable availability. The presence in these regions further also gives a competitive advantage in terms of easy availability of paddy, lower freight, and favourable pricing terms. Further, most of the customers of the group also remain in the vicinity of the processing units.

- **Improving scale of operations:**
  The total operating income (TOI) of the company witnessed sustained growth in the past fiscals and improved from Rs.236.21 crore in FY2023 to Rs. 245.67 crore in FY2024 on account of pent-up demand into the export market and company have

sufficient orders in hand to fulfil the demand of the Basmati rice which resulted in higher growth during FY2023-24. With improvement in total operating income during FY2024, the profit levels of the company remain stable. EBITDA margin has improved by 38 bps over FY2024 on account of increase in TOI. EBITDA margin stood at 5.21% in FY2024 as against 4.83% in FY2023 and PAT Margin stood at 0.89% in FY2024 as against 0.92% in FY2023.

- **Favorable demand for rice and rice products:**
  Rice being a staple diet in most parts of world, chiefly the eastern hemisphere of the globe, its demand prospects remain favorable. India accounts for second largest rice producer and consumer in the world. Globally, given the spread of Indian diaspora also supports the demand for paddy and its products.

A. Key Rating Weaknesses

- **Moderate capital structure and average debt protection metrics:**
  The company has a moderate capital structure on the back of its moderate adjusted tangible net worth base of Rs. 55.91 crore as on March 31,2024. The overall gearing ratio of the company stood moderate at 1.95x on March 31, 2024, vis-a-vis 1.20x on March 31, 2023. Total indebtedness of the company as reflected by the adjusted TOL/TNW stood at 2.19x as on March 31, 2024, as against 1.46x as on March 31, 2023. The debt protection metrics of the company stood satisfactory marked by interest service coverage ratio at 1.50x as on March 31, 2024 (1.65x as on March 31, 2023). Debt service coverage ratio (DSCR) of the company stood at 1.43x as on March 31, 2024 (1.54x as on March 31, 2023).

- **Elongated operating cycle:**
  The company's operating cycle remains elongated at 208 days in FY2024 (PY:186 days). This is majorly due to higher inventory days of 193 days (PY:197 days). Being an agro commodity, the procurement of paddy for the entire year is seasonal and happens during the months of October-December resulting in an increase in stock in the last quarter. The receivable days stood at 34 days in FY2024 as against 30 days in FY2023.

- **Exposure to agro-climate risks and vulnerability to regulatory changes:**
  The company is exposed to agro-climatic risks, as the cultivation of paddy, its primary raw material, is reliant on seasonal monsoons and irrigation availability. Adverse weather conditions can lead to fluctuations in the supply and pricing of paddy,

impacting production costs. Additionally, the company's profitability is influenced by the minimum support price (MSP) of paddy and prevailing rice market prices. Given that paddy is a seasonal agricultural product, its availability is subject to environmental factors, making the company vulnerable to raw material shortages during unfavourable climatic conditions. This risk is further heightened by the company's limited ability to fully pass on cost increases to its customers. Moreover, the company is also susceptible to changes in government policies and regulations, which can affect pricing, procurement, and other operational factors.

- **Fragmented nature of the industry leading to thin profit margin:**
  The rice-milling industry is characterized by intense competition due to limited value addition, and consequent low entry barriers, limiting the pricing flexibility of players like MRMC foods private limited.

Analytical Approach: For arriving at the ratings, INFOMERICS has applied its rating methodology as detailed in the rating criteria below. IVR has analysed MFPL'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

Liquidity – Adequate
MFPL's liquidity position is adequate marked by gross cash accruals of Rs.3.66 crore in FY2024 as against Nil repayment obligation in FY2024. The company has a current ratio of 1.32x in FY2024. Moreover, the company is expected to generate cash accruals in the range of Rs.4.39 crore to Rs.4.82 crore as against its repayment debt obligation in the range of Rs.0.22 crore eachduring FY2026-2027.

About the Company
MRMC Foods Pvt. Ltd (MFPL) is a Punjab -based company, incorporated in 2013 and being promoted by Mr. Rajiv Mangal (Director) and Mr. Parveen Mangal (Director). The company is engaged in the milling and processing of Basmati and Non-Basmati Rice. MFPL has installed capacity of 20 TPH at Faridkot Road, Ferozepur, Punjab.

Financials (Standalone):

(Rs. crore)

For the year ended*/As on	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	236.21	245.67
EBITDA	11.40	12.80
PAT	2.18	2.19
Total Debt	78.15	109.27
Adjusted Tangible Net worth	65.18	55.91
EBITDA Margin (%)	4.83	5.21
PAT Margin (%)	0.92	0.89
Adjusted Overall Gearing Ratio (x)	1.20	1.95
Interest Coverage Ratio (x)	1.65	1.50

**Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: It is under ISSUER NOT COOPERATING category with CARE ratings and Brickwork ratings via press release date November 26th, 2024 and November 5th, 2024 respectively, due to nonavailability of information.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/ Facilities	Current Ratings (Year 2025-26)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2024-25	Date(s) & Rating(s) assigned in 2023-24 (February 12th, 2024)	Date(s) & Rating(s) assigned in 2022-23 (February 23rd, 2023
1.	Fund based	Long Term	101.20	IVR BBB-/ Stable	-	IVR BB+/Stable	IVR BB+/Stable
2.	Fund based	Short Term	4.00	IVR A3	-	IVR A4+	IVR A4+
3.	Non Fund Based	Short Term	7.00	IVR A3	-	IVR A4+	IVR A4+

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About Infomerics:

Infomerics Valuation and Rating Limited (Infomerics) [Formerly Infomerics Valuation and Rating Private Limited] 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 and definition of ratings please visit www.infomerics.com.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	100.00	IVR BBB-/Stable
Term Loan	-	-	March 2027	1.20	IVR BBB-/Stable
Gold Card	-	-	-	4.00	IVR A3
Bank Guarantee	-	-	-	6.00	IVR A3
Forward Contract	-	-	-	1.00	IVR A3

Annexure 2: Facility wise lender details:
https://www.infomerics.com/admin/prfiles/len-MFPL-may25.pdf

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

Annexure 4: List of companies considered for consolidated 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.