



Press Release

Mishtann Foods Limited

July 25, 2022

Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator (Simple / High / Complex)
Long Term Fund Based Bank Facilities	64.06	IVR BBB (Outlook:Stable) [IVR Triple B with Stable Outlook]	Assigned	Simple
Short Term Fund Based Bank Facilities	5.94	IVR A3+ [IVR A Three Plus]	Assigned	Simple
Total	70.00	INR Seventy Crores Only		

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Mishtann Foods Limited factors experience of the promoters in the rice industry which has helped them in establishing relationship with its customers and suppliers as evident from MFL's substantial revenue growth of 41.98% in FY22. The ratings draw further strength from an improved performance in FY22 and moderate financial risk profile of the firm

The rating is however constrained due to limited brand visibility and high working capital intensive nature of business. The rating further remains constrained by the intense competition in the rice industry, MFL's geographical and product concentration risk and vulnerability of operations to monsoon and other agro-climatic risks, which may impact the availability and quality of paddy.

Key Rating Sensitivities:

Upward Factors

- Sustained and substantial improvement in the scale of operations and profitability



Press Release

- Reduction in customer concentration risk, along with sustenance of current credit metrics.

Downward Factors

- A significant reduction in the scale of operations, operating margins, and/or deterioration in debt protection metrics
- Large, unplanned debt-funded capex weakening the capital structure.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Extensive track record of promoters in the agro-commodity business** - The promoters have more than three decades long experience in the agro-commodity industry through their association with erstwhile Group concern -Ravi Trading Co. before venturing into MFL. Accordingly, MFL benefits in terms of established relationships with its suppliers and customers.
- **Growing Distribution Network** - MFL is focused on developing new geographies for managing sustainable growth in sales over the medium term also the company is focusing more on developing strong brand awareness for its products across geography. Currently the company has strong retail presence and caters to approx. 72,000 retailers. The company is planning to increase its dealer/retailers network to further increase the overall volumes going ahead. The company is also planning to increase its presence on leading online grocery delivery platforms to further penetrate its product into urban pockets.
- **Healthy Financial Risk Profile** – The company has a healthy financial risk profile as indicated by a strong tangible net worth of Rs 101.71cr in FY22 increasing from Rs 69.81cr in FY22 on account of plough back of profits leading to a low overall gearing of 0.40X in FY22 vis-a-vis 0.77X in FY21. The TOL/TNW stands low at 0.59X in



Press Release

FY22 improving from 0.84X in FY21. The debt coverage metrics as reflected by ISCR and DSCR stand strong at 13.64X & 7.85X in FY22 and are expected to improve going further.

- **Improving Scale Of Operations** – The revenues of the company have improved on a y-o-y basis and currently stand at Rs 498.58cr in FY22 from Rs 351.07cr in FY21 indicating a growth of 41.98%. The profits margins of the company as indicated by operating profit margin and net profit margins have improved considerably and stand at 10.39% and 6.25% respectively in FY22 increasing from 1.90% and 0.21% in FY21.

Key Rating Weaknesses

- **Relatively Limited Brand Visibility** -The company has a limited track record in processing basmati rice as operations commenced from January 2015. Further, the brand – ‘Mishtann’ is relatively new in the industry with limited visibility, though the promoters were earlier trading under the ‘Mishtann’ brand in erstwhile Ravi Trading Co. Given the brand recognition is yet to be established in the operational geographies in India, MFL is constrained in terms of pricing/bargaining power vis-à-vis other established branded basmati rice play
- **Exposure to agro climatic factors and seasonal changes** - Rice, being an agricultural commodity, is exposed to the vagaries of monsoon and other agricultural risks such as the outbreak of diseases, lower/higher-than-projected production levels (that impact the supply and hence the price), poor storage capacities and inconsistencies in quality. The price of paddy (key raw material) is highly volatile as it is dependent on demand-supply scenario, monsoon, and crop cycles. Also, since the cost of procuring paddy accounts for the bulk of the production expense, even a slight variation in price can drastically impact profitability. Thus, MFL’s ability to buy paddy of consistent quality at prudent price remains the key to success in the rice



Press Release

Analytical Approach: Standalone

Applicable Criteria

[Rating Methodology for Manufacturing Companies](#)

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

Liquidity – Adequate

The company has an adequate liquidity profile as indicated by a high current ratio of 3.71X in FY22. The company has a GCA of Rs 32.15cr as against a repayment obligation of Rs 0.80cr in FY23. Also, the company has strong cash accruals going ahead with very low repayment obligation in the absence of any major term loan. The average utilization stands at 72.09% for a period of December 20 till June 22 indicating sufficient cushioning for additional working capital if required by the company.

About the Company

Mishtann Foods Limited was founded in 1992 by Patel family as Ravi Trading company. The company is listed in Bombay stock exchange. They are leading agro-product company in India with its preliminary focus on rich quality basmati rice. MFL traded in basmati rice with focusing on domestic market and B2B sales, till 2000. Over the years, they have expanded their product portfolio with diverse variety of Basmati rice with presence in domestic and international market through B2B and B2C sales model. They have always focused on brand amplification and product diversification into value-added staples like pulses, wheat etc. MFL have fully integrated and automated plant with capacity of 45 MT/hour at Himatnagar, Talod, Gujarat. It is designed for manufacturing and processing specialised products and have end to end processing facilities. MFL currently has presence in 10 states of India. They have tie-up with 15+ super stockists and presence in 45+ retailers.

Financials (Standalone):

For the year ended* / As On	31-03-2021	31-03-2022
-----------------------------	------------	------------



Press Release

	Audited	Audited
Total Operating Income	351.07	498.58
EBITDA	6.67	51.82
PAT	0.73	31.21
Total Debt	53.89	40.63
Tangible Networkth	69.81	101.17
Ratios		
EBITDA Margin (%)	1.90	10.39
PAT Margin (%)	0.21	6.26
Overall Gearing Ratio (x)	0.77	0.40

Status of non-cooperation with previous CRA: NA

Any other information: NA

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	2021-22	2020-21	2019-20
1.	Fund Based	Long Term	64.06	IVR BBB (Outlook:Stable)	NA	NA	NA
2	Fund Based	Short Term	5.94	IVR A3	NA	NA	NA
	Total*		70.00				

**Details in Annexure I*

Name and Contact Details of the Rating Analyst:

Name: Siddhi Kadakia	Name: Noman Agashiwala
Tel: (022) 6239 6023	Tel: (022) 6239 6023
Email: siddhi.kadakia@infomerics.com	Email: noman.agashiwala@infomerics.com

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.



Press Release

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.

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 Fund Based Bank Facilities - GECL	-	-	-	14.40	IVR BBB (Outlook:Stable) [IVR Triple B with Stable Outlook]
Long Term Fund Based Bank Facilities - Cash Credit	-	-	-	39.60	
Long Term Fund Based Bank Facilities - Proposed	-	-	-	10.06	
Short Term Fund Based Bank Facilities - Standby Line of Credit	-	-	-	5.94	IVR A3 [IVR A Three]

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

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-Mishtann-july25.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: The Terms of sanction include standard covenants normally stipulated for such facilities.

Annexure 5: Complexity level of the rated Instruments/Facilities



Press Release

Sr No.	Instrument	Complexity Indicator
1.	GECL	Simple
2.	Cash Credit	Simple
3.	Standby Line of Credit	Simple

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.