



Press Release

Mishtann Foods Limited

August 18, 2023

Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long Term Facility – Fund Based	54.00	IVR BBB/ Stable Outlook; Withdrawn [IVR Triple B with Stable Outlook; Withdrawn]	Rating reaffirmed & simultaneously Withdrawn	Simple
Long Term Bank Facilities – Proposed	10.06	IVR BBB/ Stable Outlook; Withdrawn [IVR Triple B with Stable Outlook; Withdrawn]	Rating reaffirmed & simultaneously Withdrawn	Simple
Short Term Bank Facilities	5.94	IVR A3+; Withdrawn [IVR A Three Plus; Withdrawn]	Rating reaffirmed & simultaneously Withdrawn	Simple
Total	70.00			

Details of Facilities are in Annexure 1

Detailed Rationale

Infomerics has reaffirmed and simultaneously withdrawn the outstanding rating of Mishtann Foods Limited with immediate effect. The above action has been taken at the request of the company and 'No Objection Certificate' received from its lender, State Bank of India, which have extended the facilities rated by Infomerics.

Key Rating Sensitivities:

Upward Factors

- Significant increase in revenue, profits and cash accruals on a sustained basis.
- Reduction in customer concentration risk, along with sustenance of current credit metrics.

Downward Factors:

- Any substantial decline in scale of operation and/or profitability leading to deterioration of debt protection metrics.
- Witnesses a substantial increase in its working capital requirements thus weakening its liquidity & financial profile.
- Large, unplanned debt-funded capex weakening the capital structure.



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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. The company operations are well supported by second line management having experience of more than 20 years in agro-product business. Therefore, revenue is likely to grow at a steady pace, aided by the extensive experience of the promoters and diversified distribution network.

Diversified product portfolio

The company is into processing, manufacturing and exporting of various segments of rice segments such as brown rice and aged 1121 grade basmati rice. There are premium segment brands like Snowflake and Pristino; mid-range segments like Jasper, Jasper Tiber, Jasper Dubar, Jacinth Crystal, Emerald, Button & Sapphire brands and value for money segment brands like Rozana, Shahryar, Mahabat, Signature, Swarna Parivar, Celest and Ecstasy. Along with Basmati rice portfolio, MFL is also ventured into value-added products like regular salt, rock salt, wheat, and pulses. MFL earlier launched edible regular salt under its brand name and has successfully executed the orders. In FY23, the company introduced Rock salt and is packaged & marked under brand name of Mishtann Rock Salt.

Consistent growth in operations with stable financial risk profile

The company has achieved a growth of ~30% in FY23 as MFL ventured into new product line (Rock salt contributing ~50% of the revenue for 2023) and newer markets having a potential to increase the revenue and profits. As the company have focused more on trading of salt in parallel with the selling of basmati rice and wheat, the profit margins were higher in selling of the rock salt which can be seen with improved EBITDA margin of 12.69% in FY23 as against 10.43% in FY22. Consequently, PAT margins have improved in FY23 backed by improved operating profitability. The PAT margin for FY23 stood at 7.68% improving from 6.32% in FY22. The company financial risk profile has been improving over the years and it indicated



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by an improved tangible net worth of Rs. 150.07 Cr. as on FY23 supported by bonus issue during the year. The long-term debt to equity ratio marginally improved to 0.14x in FY23 from that 0.18x in FY22 mainly on account of improved networth. The overall gearing ratio remained stable at 0.40x in FY22 and FY23. The current ratio of the company has remained above 2x and during FY23 stood at 2.86x reflecting adequate liquidity position. The coverage metrics of the company as indicated by ICR and DSCR have improved considerably in FY23 and stand at 16.54x and 10.69x indicating the ability of the company to service its debt repayment and interest obligation and providing sufficient cushioning for additional limits if required.

Key Rating Weaknesses

Limited track record of operations and 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. However, company is focusing more on developing strong brand awareness for its products across geography by venturing new geographies and product diversification.

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.



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Analytical Approach: Standalone Approach

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria on Rating Outlook](#)

[Policy on Withdrawal of Rating](#)

About the Company

Mishtann Foods Ltd incorporated in the year 1981, led by Patel family who were in same line of business of agro commodities since 1992. 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, rock salt and niche products like organic cereals.

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. The plant is at closer proximity to the port compared to its peers. This is an advantage for the company for transportation and supply the products to their clients.

MFL currently has presence in 10 states of India. They have tie-up with 15+ super stockists and presence in 100k retailers.



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Financial (Standalone):

For the year ended / INR. Crore	FY22	FY23
	Audited	Audited
Total Operating Income	498.58	650.39
EBITDA	52.01	82.56
PAT	31.50	49.92
Total Debt	40.63	60.27
Tangible Net Worth	101.16	150.07
Ratios		
EBITDA Margin (%)	10.43	12.69
PAT Margin (%)	6.32	7.68
Overall Gearing Ratio (x)	0.40	0.40

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: None

Any other information: None

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Term loan	Long Term	14.40	IVR BBB/ Stable Outlook; Withdrawn	IVR BBB/ Stable Outlook	-	-
2.	Cash Credit	Long Term	39.60	IVR BBB/ Stable Outlook; Withdrawn	IVR BBB/ Stable Outlook	-	-
3.	Proposed facility	Long Term	10.06	IVR BBB/ Stable Outlook; Withdrawn	IVR BBB/ Stable Outlook	-	-
4.	Standby Line of Credit	Short Term	5.94	IVR A3+; Withdrawn	IVR A3+	-	-

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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

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Annexure 1: Details of Facilities: Not Applicable

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

Annexure 3: Facility wise lender details: Not Applicable

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 www.infomerics.com