Press Release

Mittapalli Audinarayana Enterprises Private Limited

August 21, 2025

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term/ Short Term Facilities	49.00	IVR BB/Stable/ IVR A4 (IVR Double B with Stable Outlook/ IVR A Four)	IVR BB/Stable/ IVR A4 (IVR Double B with Stable Outlook/ IVR A Four)	Reaffirmed	Simple
Total	**49.00 (Rupees Forty-Nine Crore 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 reaffirmed its rating assigned to the Bank facilities of Mittapalli Audinarayana Enterprises Private Limited (MAEPL) based on the strength derived from the locational advantage with the presence of the unit in prime tobacco cultivating area and the extensive experience of promoter in tobacco industry. However, the ratings remain constrained by the small scale of operations of the company's business, marginal dip in operations albeit with high customer concentration, working capital intensive nature of operations, leveraged capital structure, fragmented industry landscape amidst competitive and regulatory pressures and susceptibility of profitability to volatility in raw tobacco prices and forex rates.

The stable outlook on the long-term ratings reflects the promoters extensive experience and the management's established track record. Additional comfort is derived from the company's longstanding relationships with international customers.

Key Rating Sensitivities:

Upward Factors

- Significant and sustained increase in revenue and profitability along with improvement in working capital cycle will lead to a rating upgrade.

Downward Factors

- Significant decline in revenue and profitability leading to lower net cash accrual and deterioration in debt coverage indicators and/or any further stretch in operating cycle impacting the company's liquidity position will lead to a rating downgrade.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Locational advantage with the presence of the unit in prime tobacco cultivating area
The company's facility is situated at Guntur, in proximity to the tobacco growing belt. The local set-up provides MAEPL the logistic advantages both in backward and forward supply chain. The firm purchases raw tobacco from the tobacco board, local farmers, and dealers and gets it processed on job-work basis. Almost all tobacco exporters in the country have their processing factories or trading centres in and around Guntur. The head office of the tobacco board is also located in Guntur.

Extensive experience of promoter in tobacco industry
Mittapalli Audinarayana Enterprises Private Limited is a part of Mittapalli Group and was incorporated in 2005 in Vijaywada. The Company is based out of Guntur, Andhra Pradesh. Mittapalli Group was established by Sri Mittapalli Rama Rao during the year 1964 and has more than four decades experience in tobacco export business. Being in the business for more than four decades helps them to understand price trends, effect of climatic variation on tobacco production and develop a strong relationship with clientele. As such a strong reputation and experience will support the business.

Key Rating Weaknesses

Small Scale of operations of the company's business
The company's scale remains small despite revenue growth at a CAGR of ~ 18% during FY22(refers to period from 01st April 2021 to 31st March 2022)- FY25 (refers to period from 01st April 2024 to 31st March 2025). As of 31st March 2025, the company reported a Total Operating Income of Rs. 90.43 crore and an EBITDA of Rs. 6.00 crore. The Tangible Net Worth increased to Rs. 18.50 crore, while the total debt stood at Rs. 54.06 crore for the period. The small scale exposes the company to the risk of business downturn and restricts its ability to absorb any temporary disruption and fixed costs. Further, the limited scale is

expected to constrain its pricing flexibility and reduce its bargaining power with both customers and suppliers.

Marginal dip in operations albeit with high customer concentration

As of 31st March 2025, the Total Operating Income declined by 11.08% to Rs. 90.43 crore, as against Rs. 101.73 crore as of 31st March 2024. The decline was primarily attributable to a shift toward lower-grade tobacco sales in line with client requirements. Profitability also moderated, with EBITDA margin at 6.63% in FY25 when compared to the 6.64% in FY24 (refers to period from 01st April 2023 to 31st March 2024) and PAT margin at 1.57% (FY24: 1.96%) for FY25. A key concern during the FY25 was high customer concentration, as the largest client accounted for 80% of total revenue, exposing the company to significant dependency risk. Nevertheless, performance in Q1FY26 (refers to period from 01st April 2025 to 30th June 2025) reflected positive momentum, with total operating income rising by 25% year-on-year to Rs. 27.36 crore from Rs. 21.96 crore in Q1FY25 (refers to period from 01st April 2024 to 30th June 2024), and PAT margin improving by 14 basis points to 1.64% for the period (Q1FY25: 1.50%).

Working capital intensive nature of operations

As the company operates in highly working capital-intensive industry, it maintains high inventory due to seasonality in availability of the tobacco. The inventory holding period remained high, at 235 days in FY25. The operating cycle of the company rose to at 277 days in FY25 compared to the 244 days in FY24. This was primarily due to a delay in collections from export clients marking a stretched period of 80 days (FY24: 57 days). However, the creditors period shortened to 38 days (FY24: 49 days), making faster payments to the Tobacco Board, from which the company primarily procures its raw material. The working capital intensity is expected to remain high in the near term, currently standing at ~93.54% for FY25, given the seasonality in procurement of tobacco.

Leveraged capital structure

Given the large working capital borrowings relative to its modest net worth, the company's capital structure remains leveraged. However, overall gearing improved to 2.92x as of 31st March 2025, compared with 3.37x as of 31st March 2024, supported by higher net worth of Rs. 18.50 crore and lower total debt of Rs. 54.06 crore. The company reported a moderate interest coverage ratio of 1.11x in FY25 (FY24: 1.21x), while its DSCR remained adequate at 1.16x during the year.

Fragmented industry landscape amidst competitive and regulatory pressures

The tobacco industry is highly fragmented, with intense competition from both organized and unorganized players, exerting pressure on pricing and margins. Customer retention is challenging due to multiple sourcing options available to buyers. The industry is also exposed to regulatory risks, including high excise duties and complex tax structures. Additionally, consistent product quality depends on the availability of quality tobacco, which is susceptible to adverse climatic conditions. Furthermore, along with subdued global demand owing to increased production in other major tobacco-producing countries such as Brazil and Zimbabwe poses pricing pressure. These factors may affect the concern's sales realization and profitability in the near term.

Susceptibility of profitability to volatility in raw tobacco prices and forex rates

MAEPL procures tobacco from tobacco platforms during Andhra Pradesh and Karnataka seasons and export to various countries. Thus, on one side the Company's raw material is subject to price fluctuations since FCV tobacco is highly regulated agricultural commodity and on the other side the Company has 90% revenue in foreign exchange. Any adverse movement in raw material prices and forex rates can affect profitability of the Company and its debt servicing capabilities. The Company mitigates price risks by procuring tobacco in both the seasons to average out any volatility in pricing of raw materials. Also, to mitigate forex risks the Company takes forward cover for ~ 80% of the forex exposure.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing companies
Criteria on assigning rating outlook
Policy on Default Recognition and Post-Default Curing Period
Complexity Level of Rated Instruments/Facilities
Financial Ratios & Interpretation (Non- Financial Sector)

Liquidity – Adequate

MAEPL's liquidity remains adequate as evidenced by the MAEPL's high working capital utilization, standing at an average of ~ 93.54% against sanctioned limits for the last 12-month period ending in March 2025. The company's GCA stood at Rs. 0.86 crore. The coverage ratios appear moderate for FY25, with interest cover at 1.11x and DSCR of 1.16x. The current ratio of the period is 1.45x as against the 1.35x in FY24.

About the Company:

Mittapalli Audinarayana Enterprises Private Limited, was incorporated on May 6, 2005, in Guntur, Andhra Pradesh. The company is a part of the Mittapalli Group, founded in 1964 by Sri Mittapalli Rama Rao, has been engaged in tobacco processing and exports since inception. The company procures tobacco from Tobacco Board auctions in Andhra Pradesh and Karnataka, stores it in warehouses, and exports as per demand.

Financials (Standalone):

(Rs. crore)

For the year ended/ As on*	31-03-2024	31-03-2025
	Audited	Provisional
Total Operating Income	101.70	90.43
EBITDA	6.75	6.00
PAT	2.00	1.43
Total Debt	57.51	54.06
Tangible Net Worth	17.06	18.50
EBITDA Margin (%)	6.64	6.63
PAT Margin (%)	1.96	1.57
Overall Gearing Ratio (x)	3.37	2.92
Interest Coverage (x)	1.21	1.11

** Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (Year 2025-2026)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2024-2025	Date(s) & Rating(s) assigned in 2023-2024	Date(s) & Rating(s) assigned in in 2022-2023
					(May 28, 2024)		
1.	Cash Credit (Packing Credit/ Packing Credit in Foreign Currency/ Foreign Documentary Bills Purchase/ Foreign Usance Bill Discounting/REBA)	Long Term/Short Term	49.00	IVR BB /Stable/ IVR A4	IVR BB/Stable/ IVR A4	-	-

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About Infomerics:

Infomerics Valuation and Rating Limited (Infomerics) [Formerly Infomerics Valuation and Rating Pvt. Ltd.] 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.

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Annexure 1: Instrument/Facility Details

Name of Facility	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit (Packing Credit/ Packing Credit in Foreign Currency/ Foreign Documentary Bills Purchase/ Foreign Usance Bill Discounting/REBA)	-	-	-	-	49.00	IVR BB /Stable/ IVR A4

Annexure 2: Facility wise lender details:

https://www.infomerics.com/admin/prfiles/len-mittapalli-aug25.pdf

Annexure 3: Detailed explanation of covenants of the rated Security/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 www.infomerics.com.