

September 03, 2024

## Mahadevi Agro Mills Private Limited: [ICRA]BB-(Stable) /[ICRA]A4; assigned

### Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long term -Fund based –Term Loan	63.30	[ICRA]BB- (Stable); assigned
Long term -Fund based - Cash Credit	4.50	[ICRA]BB- (Stable); assigned
Short term -Non fund based-Bank guarantee	4.50	[ICRA]A4; assigned
Long Term/Short Term -Unallocated Limits	0.70	[ICRA]BB- (Stable)/[ICRA]A4; assigned
<b>Total</b>	<b>73.00</b>	

\*Instrument details are provided in Annexure-I

### Rationale

The ratings factor in the vast experience of the Mahadevi Agro Mills Private Limited’s (MAMPL) promoters with over four decades of presence in the rice milling industry, and favourable location of the proposed plant in proximity to the paddy cultivating areas. MAMPL is setting up a raw rice mill and a parboiled rice mill with installed capacity of 320 tonnes per day (TPD) and 400 TPD, respectively, in Wargal, Telangana at an estimated cost of Rs. 132.8 crore (including the land cost), which is expected to be funded through Rs. 63.3 crore of debt, Rs. 49.48 crore of promoters’ contribution (including equity and interest-free unsecured loans), and capital grant of Rs. 20 crore. The rice mills are expected to be operational by H2 FY2026. As of June 2024, the company incurred project cost worth Rs. 52.6 crore. Given the nascent stage of the project, the ratings remain constrained by the construction and execution risks. Successful completion of the project within the budgeted time and cost will be crucial and ramp-up of operations, post the commencement of the business, will be a key monitorable. The ratings also remain constrained by the intense competition in the industry, and the company’s exposure to agro-climatic and regulatory risks.

The Stable outlook on the rating reflects ICRA’s opinion that the company would be able to complete the project construction in a timely manner and will ramp up the operations subsequently.

### Key rating drivers and their description

#### Credit strengths

**Experienced management and promoter group** – The company’s promoters have been in the rice mill business for over four decades, gaining a significant expertise and healthy relationships with suppliers and customers. The company’s Chairman, Mr. Gampa Nagendra, is the President of Telangana Rice Mill Association.

**Proximity to rice cultivating areas** – The rice mill is being set up at Wargal, Siddipet district of Telangana, which is in proximity to paddy cultivation areas, which is expected to support easy access to paddy.

#### Credit challenges

**Exposed to execution and construction risks** – The company is setting up raw and parboiled rice mill at an estimated cost of Rs. 132.78 crore, which is expected to commence operations in H2 FY2026. As of June 2024, 40% of the project cost has been incurred. Given the nascent stage of the project, the company is exposed to construction and execution risks.

**Large debt funded capex** – As a sizeable part of the project cost is funded through debt, timely commencement and successful ramp-up of the operations remain crucial.

**Exposed to intense competition in the industry** – The rice industry is fragmented with presence of many players, which limits the price setting capability of the industry players, reducing the profitability to some extent. Rice millers are also exposed to agro-climatic and regulatory risks.

### Liquidity position: Stretched

The liquidity of the company is stretched. The company is setting up rice mills at an estimated capex of Rs.132.8 crore, funded through Rs. 63.3 crore of debt, Rs. 20.0 crore of capital subsidy, and Rs. 49.5 crore of promoters’ contribution. The company has incurred Rs. 52.6 crore till June 30, 2024. It is expected to incur further Rs. 80-82 crore in the next 12 months, which will be funded through term debt of Rs. 63.3 crore (already sanctioned) and the rest through promoter’s contribution and capital subsidy. While the project debt has been tied up, timely completion of the project without any cost overrun remains crucial. Moreover, the company needs to tie up adequate working capital limits to achieve the targeted scale of operations in H2 FY2026.

### Rating sensitivities

**Positive factors** – ICRA could upgrade MAMPL’s ratings if the company completes the project construction in a timely manner without material time or cost overrun, and if there is a healthy ramp-up in operations.

**Negative factors** – Pressure on MAMPL’s ratings could arise if any significant delay in project completion or any major cost overrun impacts the company’s liquidity position or its debt metrics.

### Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Rice Mills</a>
Parent/Group support	Not Applicable
Consolidation/Standalone	Standalone

### About the company

Mahadevi Agro Mills Private Limited (MAMPL), incorporated in July 2020 by Anupam Gampa, Gampa Nagendra and Apoorva Munigela, is setting up two rice mill units with capacity of 320 tonnes per day (TPD) for raw rice and 400 TPD for parboiled rice in the food processing industrial park of Wargal, Siddipet district, Telangana at an estimated cost of Rs. 132.78 crore. The company is expected to commence operations in H2 FY2026.

**Key financial indicators:** Not Applicable as it is a project stage entity

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** None

## Rating history for past three years

		Current (FY2025)		Chronology of rating history for the past 3 years					
		FY2025		FY2024		FY2023		FY2022	
Instrument	Type	Amount Rated (Rs Crore)	Sep 03, 2024	Date	Rating	Date	Rating	Date	Rating
Term Loan	Long Term	63.30	[ICRA]BB- (Stable)	-	-	-	-	-	-
Cash Credit	Long Term	4.50	[ICRA]BB- (Stable)	-	-	-	-	-	-
Bank Guarantee	Short Term	4.50	[ICRA]A4	-	-	-	-	-	-
Unallocated Limits	Long Term/Short Term	0.70	[ICRA]BB- (Stable)/ [ICRA]A4	-	-	-	-	-	-

## Complexity level of the rated instruments

Instrument	Complexity Indicator
Long term -Fund based – Term Loan	Simple
Long term -Fund based -Cash Credit	Simple
Short term -Non fund based-Bank guarantee	Very Simple
Long Term/Short Term -Unallocated Limits	NA

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

**Annexure I: Instrument details**

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loan	May 2023	NA	October 2031	63.30	[ICRA]BB- (Stable)
NA	Cash Credit	NA	NA	NA	4.50	[ICRA]BB- (Stable)
NA	Bank guarantee	NA	NA	NA	4.50	[ICRA]A4
NA	Unallocated Limits	NA	NA	NA	0.70	[ICRA]BB- (Stable)/[ICRA]A4

Source: Company

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**Annexure II: List of entities considered for consolidated analysis – Not Applicable**

## ANALYST CONTACTS

**Shamsher Dewan**

+91 124 4545328

[shamsherd@icraindia.com](mailto:shamsherd@icraindia.com)

**Srikumar K**

+91 44 4596 4318

[ksrikumar@icraindia.com](mailto:ksrikumar@icraindia.com)

**Nithya Debbadi**

+91 40 4067 6515

[nithya.debbadi@icraindia.com](mailto:nithya.debbadi@icraindia.com)

**Vishal Balabhadruni**

+91 40 6939 6417

[vishal.balabhadruni@icraindia.com](mailto:vishal.balabhadruni@icraindia.com)

## RELATIONSHIP CONTACT

**L. Shivakumar**

+91 22 6114 3406

[shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**

Tel: +91 124 4545 860

[communications@icraindia.com](mailto:communications@icraindia.com)

## Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

[info@icraindia.com](mailto:info@icraindia.com)

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## ICRA Limited



### Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



### Branches



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