

April 06, 2016

| Facilities | Amount (Rs. Crore) | Ratings |
|---------------------------|-----------------------|-----------------------------|
| Cash Credit | 9.90 | SMERA BB-/Stable (Assigned) |
| Non Fund Based (Proposed) | 0.03 | SMERA A4+ (Assigned) |

SMERA has assigned long term rating of '**SMERA BB-**' (read as SMERA double B minus) and short term rating of '**SMERA A4+**' (read as SMERA A four plus) on the above mentioned bank facilities of Ponmurugan Dhall Mills (PDM). The outlook is '**Stable**'. The ratings derive comfort from the firm's experienced management, established operational track record, healthy revenue growth and above average financial risk profile. However, the ratings are constrained by the working capital intensive nature of operations, exposure to agro climatic risks and volatility in raw material prices.

Outlook: Stable

SMERA believes PDM will continue to benefit over the medium term from its established market position and experienced management. The outlook may be revised to 'Positive' if the firm achieves sustained improvement in profit margins while maintaining healthy revenue growth leading to improvement in its financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of significant decline in the cash accruals or deterioration in the working capital management leading to weakening of its financial risk profile particularly liquidity.

Rating Sensitivity Factors

- Improving profit margins while maintaining revenue growth
- Volatility in raw material prices
- Effective working capital management

About the Firm

PDM, promoted in 1960 by Mr. M. Vanniyarajan, is engaged in the processing of wheat, flour, broken wheat, gram flour among others and markets them under the 'Mayil Mark' brand name in Tamil Nadu and Kerala. The firm also trades in pulses. The day-to-day operations are managed by Mr. V. Chandrasekaran and his brothers.

For FY2014-15, PDM reported profit after tax (PAT) of Rs.1.11 crore on operating income of Rs.128.07 crore, as compared with PAT of Rs.0.93 crore on operating income of Rs.99.82 crore for FY2013-2014.

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