

Pragati Agri Products Private Limited: Assigned

| Facilities | Amount (Rs. Crore) | Ratings/Outlook |
|----------------------|--------------------|------------------------------|
| Cash Credit | 4.00* | SMERA BBB-/Stable (Assigned) |
| Packing Credit Limit | 4.00 | SMERA A3(Assigned) |

*Includes sublimit of Letter of Credit cum bank guarantee to the extent of Rs. 0.50 crore

SMERA has assigned ratings of '**SMERA BBB-**' (**read as SMERA triple B minus**) and '**SMERA A3**' (**read as SMERA A three**) on the Rs.8.00 crore bank facilities of Pragati Agri Products Private Limited (PAPPL). The outlook is '**Stable**'.

The ratings draw comfort from the experienced management and established track record of operations. The ratings also factor in the healthy financial risk profile and comfortable liquidity position of the company.

However, the ratings are constrained by the modest scale of operations, exposure of profitability to volatility in raw material prices and fluctuations in forex rates. The ratings also factor in the company's low profit margin in a highly competitive and fragmented edible oil industry.

PAPPL, incorporated in 1995, is a Kolkata-based company engaged in the extraction of rice bran oil and trading of de-oiled rice bran. The company is promoted by Mr. Sushil Kumar Agarwal and Mr. Rishabh Agarwal who jointly have more than three decades of experience in the edible oil industry. The company's financial risk profile is healthy marked by low gearing and healthy coverage indicators. The gearing stands at 0.26 times and Interest coverage ratio (ICR) at 4.64 times for FY2014-15 (refers to financial year, April 01 to March 31). Further, the rating also notes the comfortable liquidity position. The average working capital limit utilisation stood at ~57 per cent for the last six months ended May, 2016.

However, the ratings are constrained by the modest scale of operations. The operating income stood at Rs.85.95 crore in FY2014-15 as against Rs.87.10 crore in FY2013-14 and Rs.99.82 crore in FY 2015-16 (provisional) registering ~16 per cent growth over the previous year. The profitability is susceptible to volatility in raw material prices (rice bran). The company exports around 60 per cent of its revenue to countries such as Vietnam, Cambodia, Thailand and Bangladesh and hence the profit margins are susceptible to fluctuations in foreign exchange rates. PAPPL reported operating margin of 1.96 per cent in FY2014-15 as against 2.20 per cent in FY2013-14. The company operates in a highly competitive and fragmented edible oil industry.

Rating Sensitivity Factors

- Scaling up operations while improving profitability
- Efficient working capital management
- Debt funded capex plan

Criteria applied for arriving at the ratings:

- Manufacturing Entities
- Trading Entities

Outlook-Stable

SMERA believes that the outlook on PAPPL's rated facilities will remain stable over the medium term on account of the experienced management and long track record of operations. The outlook may be revised to 'Positive' if the company registers significant growth in revenue while improving profit margins and maintaining comfortable working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of steep decline in operating profit margins or significant deterioration in the capital structure on account of larger than envisaged debt funded capex and working capital borrowings.

About the Company

PAPPL, incorporated in 1995, is a Kolkata-based company engaged in the extraction of rice bran oil and trading of deoiled rice bran. The company is promoted by Mr. Sushil Kumar Agarwal and Mr. Rishabh Agarwal who jointly have more than three decades of experience in the edible oil industry. PAPPL exports around 60 per cent of its produce to countries such as Vietnam, Cambodia, Thailand and Bangladesh. The company's manufacturing unit located at Burdwan, West Bengal has installed capacity of 66,000 metric tonnes per annum (MTPA).

PAPPL reported profit after tax (PAT) of Rs.1.22 crore on operating income of Rs.85.95 crore for FY2014-15 as compared to PAT of Rs.0.40 crore on operating income of Rs.87.10 crore for FY2013-14. Further, the company has reported PAT of Rs.0.97 crore on operating income of Rs.99.82 crore for FY 2015-16 (provisional).

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ABOUT SMERA

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