Press Release

Pragati Agri Products Private Limited

06 January, 2020

Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 14.00 Cr.
Long Term Rating	ACUITE BBB/Stable (Reaffirmed)
Short Term Rating	ACUITE A3+ (Reaffirmed)

** Refer Annexure for details*

Rating Rationale

Acuité has reaffirmed the long term rating of **'ACUITE BBB' (read as ACUITE triple B)** and short term rating of **'ACUITE A3+' (read as ACUITE A three plus)** to the Rs.14.00 crore of bank facilities of Pragati Agri Products Private Limited. The outlook is **'Stable'**.

Incorporated in 1995- PAPPL is a Kolkata-based company engaged in the extraction of rice bran oil and de-oiled rice bran (DORB). The company was promoted by Mr. Sushil Kumar Agarwal who has more than three decades of experience in the edible oil industry. The rice bran oil is sold to the edible oil refineries in the domestic markets whereas DORB are exported to Vietnam, Cambodia, Thailand and Bangladesh. The manufacturing unit located at Burdwan, West Bengal has process installed capacity of 66,000 metric tonnes per annum (MTPA).

Analytical Approach:
Acuité has considered standalone business and financial risk profile of PAPPL while arrive at the rating.

Key Rating Drivers:
Strengths

Experienced management
The company has a long track record of over two decades in the edible oil industry. The company was initially engaged in the trading of rice bran oil and de-oiled rice bran (DORB). However, from 2006, PAPL forayed into extraction of rice bran crude oil and DORB. The long track record of operations of the company has helped PAPPL to establish long standing relations with suppliers and customers.

Healthy financial risk profile
The comfortable financial risk profile of the company is marked by moderate net worth, comfortable gearing and healthy debt protection metrics. The net worth of the company stands at Rs.17.03 crore in FY2019 as compared to Rs.14.81 crore in FY2018. This improvement in Networth is mainly due to retention of current year profit. The gearing of the company stands comfortable at 0.67 times as on March 31, 2019 when compared to 0.73 times as on March 31, 2018. The total debt of Rs.11.37 crore in FY2019 consists of short term loan of Rs.8.37 crore, and unsecured loan from promoters of Rs.3.00 crore. Interest coverage ratio (ICR) stands at 6.73 times in FY2019 as against 6.69 times in FY 2018. Total outside liability as against tangible net worth (TOL/TNW) stands moderate at 0.93 times In FY2019 as compared to 1.08 times in previous year. The debt service coverage ratio stands at 5.32 times in FY2019 as against of 5.25 times in FY2018. Net cash accruals against total debt (NCA/TD) stands at 0.25 times in FY2019 as compared to 0.21 times in the previous year. Acuité believes the financial risk profile of the group will remain healthy on account of steady accruals and no major capex over the medium term.

Efficient working capital cycle
PAPL has comfortable working capital cycle as evident from their GCA days of 73 as on 31st March'2019 as against 60 days in the previous year. The inventory days stands comfortable at 36 in FY2019 as compared to 21 days in previous year. The collection period also stands comfortable at 23 days in FY2019 as compared to 31 days in previous year. The average cash credit limit utilization is ~50 per cent.

Weaknesses

Moderate scale of operation

The revenue of the company stood moderate at Rs. 101.17 crore in FY2019 as compared to Rs.113.82 crore in FY2018 crore. The company has booked Rs. 50.35 crore till 30th September 2019 (Prov.). Acuité believes the ability of the company to scale up the operations will remain a key monitorable.

Presence in highly fragmented edible oil industry

The Indian edible oil industry is highly fragmented, with the presence of a large number of participants in the organized and unorganized sectors. This is due to low entry barriers such as low capital, low technical requirements of the business and liberal policy regime. This has resulted in severe competition and inherently thin profitability margins.

Rating Sensitivity

- Scaling up of operations while maintaining profitability margin.
- Working capital management

Material Covenant

None

Liquidity Position: Strong

The company has strong liquidity marked by healthy net cash accruals of Rs.2.83 crore as against no major debt obligation. The cash accruals of the company are estimated to remain in the range of around Rs. 3.55 crore to Rs. 4.47 crore during 2020-22 against no major repayment obligations during the period. The working capital of the company is strong marked by gross current asset (GCA) days of 73 in FY2019. The bank limit is 50 per cent utilized by the company and the company maintains unencumbered cash and bank balances of Rs. 1.32 crore as on March 31, 2019. The current ratio of the company stood at 1.57 times as on March 31, 2019.Acuite believes that the liquidity of the company is likely to remain strong over the medium term on account of healthy cash accruals against no major debt repayments over the medium term.

Outlook: Stable

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

About the Rated Entity – Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	101.17	113.82
PAT	Rs. Cr.	2.21	1.55
PAT Margin	(%)	2.19	1.37
Total Debt/Tangible Net Worth	Times	0.67	0.73
PBDIT/Interest	Times	6.73	6.69

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition -https://www.acuite.in/view-rating-criteria-17.htm
- Manufacturing Entities - https://www.acuite.in/view-rating-criteria-4.htm
- Financial Ratios And Adjustments - https://www.acuite.in/view-rating-criteria-20.htm

Note on complexity levels of the rated instrument
https://www.acuite.in/criteria-complexity-levels.htm

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings / Outlook
17-Oct-2018	Cash Credit	Long Term	12.00#	ACUITE BBB/Stable (Reaffirmed)
	Proposed Long Term Facility	Long Term	1.50	ACUITE BBB/Stable (Reaffirmed)
	Bank Guarantee	Short Term	0.50	ACUITE A3+ (Reaffirmed)
07-Dec-2017	Cash Credit	Long Term	4.00	ACUITE BBB/Stable (Upgraded)
	Packing Credit	Short Term	4.00	ACUITE A3+ (Upgraded)
03-Aug-2016	Cash Credit	Long Term	4.00	ACUITE BBB-/Stable (Assigned)
	Packing Credit	Short Term	4.00	ACUITE A3 (Assigned)

Includes export packing credit of Rs 12 cr as sublimit of Cash Credit.

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	12.00#	ACUITE BBB/Stable (Reaffirmed)
Proposed Long Term Facility	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE BBB/Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE A3+ (Reaffirmed)

Includes export packing credit of Rs 12.00 cr as sublimit of Cash Credit.

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About Acuité Ratings & Research:
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