

Press Release

Pragati Agri Products Private Limited

November 12, 2020

Rating Withdrawn



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Long Term Rating	ACUITE BBB (Withdrawn)
Short Term Rating	ACUITE A3+ (Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuite has reviewed and withdrawn the long term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) and the short term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) on the Rs.14.00 crore of bank facilities Pragati Agri Products Private Limited.

The withdrawal is on account of client's request and receipt of NOC from the banker. The withdrawal is in accordance with Acuite's policy on withdrawal.

Incorporated in 1995, Pragati Agri Products Private Limited (PAPPL) is a Kolkata-based company engaged in the extraction of rice bran oil and deoiled 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 is 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:

Acuite has considered the standalone business and financial risk profile of PAPPL while arriving 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, PAPPL forayed into the 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 financial risk profile of the company is marked by moderate net worth, low gearing and healthy debt protection metrics. The net worth of the company stood moderate at Rs.23.05 crore in FY2020 (Prov.) as compared to Rs. 17.03 crore in FY2019. The improvement in networth is mainly due to the retention of current year profit. The gearing of the company stood low at 0.12 times as on March 31, 2020 (Prov.) when compared to 0.67 times as on March 31, 2019. The total debt of Rs 2.82 crore in FY2020 (Prov.) comprises only short term debt. Interest coverage ratio (ICR) of the company stood healthy at 9.05 times in FY2020 (Prov.) as against 6.73 times in FY 2019. The debt service coverage ratio (DSCR) of the company also stood healthy at 9.05 times in FY2020 (Prov.) as compared to 5.32 times in the previous year. The net cash accruals to total debt (NCA/TD) stood healthy at 1.26 times in FY2020 (Prov.) as compared to 0.25 times in the previous year.

Efficient working capital management

PAPPL has a comfortable working capital cycle as evident from their gross current asset (GCA) days of 49 as on 31st March 2020 (Prov.) as compared to 73 days in the previous year. The inventory days stood comfortable at 23 days in FY2020 (Prov.) as compared to 36 days in the previous year. The collection period of the company is also comfortable at 22 days in FY2020 (Prov.) as compared to 23 days in the previous year.

Weaknesses

Moderate scale of operation

The revenue of the company stood moderate at Rs. 97.57 crore in FY2020 (Prov.) as compared to Rs.101.17 crore in the previous year. The company has booked Rs.65.00 crore till 31st October, 2020 (Provisional).

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 their profitability margin
- Working capital management

Material Covenant

None

Liquidity Position: Adequate

The company has adequate liquidity marked by moderate net cash accruals of Rs.3.54 crore as against nil long term debt obligations in FY2020 (Prov.). The working capital management of the company is strong marked by gross current asset (GCA) days of 49 in FY2020 (Prov.). The bank limit of the company has been ~7 per cent utilized during the last six months ended in October 2020. The current ratio of the company stood comfortable at 1.75 times in FY2020 (Prov.). The company maintained unencumbered cash and bank balances of Rs.0.16 crore as on March 31, 2020 (Prov.). Moreover, the company has neither applied COVID emergency fund nor availed the loan moratorium on their CC facility till the end of August 2020.

About the Rated Entity - Key Financials

	Unit	FY20 (Prov.)	FY19 (Actual)
Operating Income	Rs. Cr.	97.57	101.17
PAT	Rs. Cr.	3.02	2.21
PAT Margin	(%)	3.10	2.19
Total Debt/Tangible Net Worth	Times	0.12	0.67
PBDIT/Interest	Times	9.05	6.73

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-52.htm>
- Manufacturing Entities – <https://www.acuite.in/view-rating-criteria-59.htm>
- Financial Ratios And Adjustments – <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings / Outlook
06-Jan-2020	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)
17-Oct-2018	Cash Credit	Long Term	12.00	ACUITE BBB/Stable (Reaffirmed)
	Proposed Long Term Facility	Long Term	1.50	ACUITE BBB/Stable (Assigned)
	Bank Guarantee	Short Term	0.50	ACUITE A3+ (Assigned)
07-Dec-2017	Cash Credit	Long Term	4.00	ACUITE BBB/Stable (Upgraded)
	Packing Credit	Short Term	4.00	ACUITE A3+ (Upgraded)

***Annexure – Details of instruments rated**

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

Contacts:

Analytical	Rating Desk
Pooja Ghosh Head - Corporate and Infrastructure Sector Ratings Tel: 033-6620 1203 pooja.ghosh@acuite.in Abhishek Dey Analyst - Rating Operations Tel: 033-66201208 abhishek.dey@acuite.in	Varsha Bist Senior Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in

About Acuite Ratings & Research:

Acuite Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

Disclaimer: An Acuite rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuite ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information

is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.