

Press Release

Platinum Grains Private Limited

October 24, 2019

Rating Reaffirmed



Total Bank Facilities Rated*	Rs.10.00 Cr.
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed its short term rating of '**ACUITE A4**' (read as **ACUITE A four**) to the Rs.10.00 crore bank facilities of Platinum Grains Private Limited (PGPL).

Delhi-based, Platinum Grains Private Limited (PGPL) was incorporated in 2009 and is engaged in trading of parboiled rice and non-basmati rice to Hong Kong and South Africa to name a few. The company exports under the brand name "Platinum". PGPL is promoted by Ms. Harnita Ahluwalia and Ms. Davinder Kaur Sehgal

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of PGPL to arrive at this rating.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

The promoter of PGPL Ms. Harnita Ahluwalia (Director) has been in the rice industry for around three decades which gives him extensive experience in the said industry. Further having a decade of operational track record has helped the company to maintain strong relations with its customers as well as with its suppliers. Acuité believes that the company will continue to benefit from the promoter's extensive experience in the aforementioned industry over the medium term.

Weaknesses

- **Average financial risk profile**

PGPL has moderate financial risk profile marked by average net worth, moderate gearing and modest debt protection metrics. The net worth of the company stood at Rs.5.84 crore as on 31 March, 2019 (Provisional) as against Rs.5.58 crore as on 31 March, 2018. The gearing level (debt-equity) increased and stood at 1.25 times as on 31 March, 2019 (Provisional) as against 0.16 times as on 31 March, 2018 on account of increase in working capital borrowings. The total debt of Rs.7.30 crore as on 31 March, 2019 (Provisional) consists solely of working capital requirements. Average improvement in profitability levels has resulted in average net cash accruals of Rs.0.20 crore in FY2019 (Provisional) leading to improvement in financial risk profile. The interest coverage ratio (ICR) stood at 1.96 times in FY2019 as against 1.16 times in FY2018. TOL/ TNW (Total outside liabilities to total net worth) ratio stood at 5.19 times in FY2019 and 3.82 times in FY2018. Debt to EBITDA stood at 7.28 times in FY2019 as against 7.36 times in FY2018

Acuité believes that the financial risk profile of the company is likely to remain average over the medium term, on account of average net worth and modest debt protection metrics.

- **Foreign exchange fluctuation risk**

PGPL generates 100 percent of its revenue by exporting to different countries such as Hong Kong and South Africa, thereby exposing it to foreign exchange fluctuation risk. Also, the government regulations in other countries can affect the working of the company. Any adverse change in the exchange rates may impact the profitability and scale of operations of the company. However, this risk is mitigated as the company hedges 80 percent of the exports.

• **Working capital intensive nature of operations**

Operations of the company are working capital intensive marked by gross current assets (GCA) of 304 days in FY2019 (Provisional) as compared to 201 days in FY2018. This is on account of debtors' collection period of 200 days in FY2019 (Provisional) as against 45 days in FY2018 and inventory holding period of 2 days in FY2019 (Provisional) as against 43 days in FY2018. However, the average working capital utilization for past six months ended August 2019 stood at ~22 per cent. Furthermore, the current ratio stands moderate at 1.60 times as on 31 March, 2019 (Provisional) as against 4.94 times as on 31 March, 2018.

Acuite believes that the working capital operations of PGPL will continue to remain intensive over the medium term on account of elongated debtors' collection period.

Rating Sensitivities:

- Substantial improvement in EBITDA margins to 3.50-3.70 per cent.
- Stretch in working capital cycle leading to increased reliance on working capital borrowings

Material Covenants

Not Applicable

Liquidity position: Average

The company has average liquidity marked by adequate net cash accruals to its maturing debt obligations. PGPL generated cash accruals of Rs.0.20 crore for FY2019 (Provisional), with no major debt repayment obligations for the same period. The cash accruals of the company are estimated to remain in the range of around Rs.0.23 crore to Rs.0.45 crore during 2020-22 against no significant debt repayment obligations. The company's working capital operations are intensive, marked by GCA of 304 days for FY2019 (Provisional). PGPL maintains cash and bank balances of Rs.0.71 crore as on 31 March, 2019 (Provisional). The current ratio stood at 1.60 times as on 31 March 2019 (Provisional).

Acuite believes that the liquidity of the company is likely to remain average over the medium term on account of adequate cash accruals against no major debt repayments over the medium term.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	17.52	11.70	29.51
EBITDA	Rs. Cr.	0.58	0.98	0.66
PAT	Rs. Cr.	0.12	(0.04)	0.19
EBITDA Margin	(%)	3.34	8.39	2.25
PAT Margin	(%)	0.70	(0.38)	0.65
ROCE	(%)	5.31	9.05	3.85
Total Debt/Tangible Net Worth	Times	1.25	0.16	1.44
PBDIT/Interest	Times	1.96	1.16	2.82
Total Debt/PBDIT	Times	12.48	0.93	12.19
Gross Current Assets (Days)	Days	304	201	183

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>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Trading Entities- <https://www.acuite.in/view-rating-criteria-6.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
11-Oct-2018	Export Packing Credit/Packing Credit in Foreign Currency*	Short term	10.00	ACUITE A4 (Downgraded)
25-Apr-2018	Export Packing Credit/Packing Credit in Foreign Currency	Short term	5.00	ACUITE A4+ (Indicative)
	Foreign Bill Discount/Foreign Bill Purchase/Post Shipment Credit in Foreign Credit	Short term	5.00	ACUITE A4+ (Indicative)
06-Sep-2016	Export Packing Credit/Packing Credit in Foreign Currency	Short term	5.00	ACUITE A4+ (Assigned)
	Foreign Bill Discount/Foreign Bill Purchase/Post Shipment Credit in Foreign Credit**	Short term	5.00	ACUITE A4+ (Assigned)

*With a sublimit of Rs. 4.00 crore Cash Credit facility and Bill discounting facility of Rs. 10.00 crore

**With a Sublimit of Rs. 0.45 crore Export Packing Credit/Packing Credit in Foreign Currency

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Export Packing Credit//Packing Credit in Foreign Currency*	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A4 (Reaffirmed)

*With a sublimit of Rs. 4.00 crore Cash Credit facility and Bill discounting facility of Rs. 10.00 crore

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About Acuité Ratings & Research:

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