

Press Release

Prahlad Flour Mills Private Limited

February 25, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 13.69 Cr.
Long Term Rating	SMERA BB / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB**' (read as **SMERA BB**) on the Rs. 13.69 crore bank facilities of Prahlad Flour Mills Private Limited. The outlook is '**Stable**'.

Prahlad Flour Mills Private Limited (PFMPL) was incorporated in 1988 as a private limited company. However, the operations commenced in 1990. The company is engaged in the milling and processing of agro based products such as wheat flour, maida, sooji, etc and has an installed capacity of 4.5 lakh tons per annum. The company procures raw material from the local market and sells its finished product across India under the Royal Khajana and Kamal brand names. Recently, the company has also ventured into textile.

Key Rating Drivers

Strengths

- Experienced management and long track record of operations**

PFMPL was incorporated in 1988 as a private limited company. The company was promoted by Mr. Pradeep Kr. Gupta, Mr. Sanjeev Gupta and Mr. Shalab Gupta who possess two decades of experience in the food industry.

- Moderate financial risk profile**

The moderate financial profile is marked by moderate interest coverage ratio of 1.58 times in FY2016 as compared to 1.57 times in FY2015. The current ratio stood at 1.35 times in FY2016 as against 1.38 times in the previous year. The revenue grew to Rs.64.96 cr in FY2016 as compared to Rs.56.26 cr in FY2015. SMERA also notes that the company has moderate gearing of 1.74 times in FY2016 as compared to 1.46 times in FY2015.

Weaknesses

- Agro climatic risks and fluctuations in raw material prices**

Wheat - the main raw material required for flour, maida, sooji, etc. is a seasonal crop and production of the same is dependent upon the monsoon. Inadequate rainfall may affect the availability of wheat under adverse weather conditions. Besides, the company is exposed to risks related to fluctuations in raw material prices.

- Intense competition**

The company is exposed to intense competition in the wheat industry due to low entry barriers.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the company.

Outlook: Stable

SMERA believes that the company will maintain a stable outlook owing to the extensive experience of

the management and long track of operations. The outlook may be revised to Positive in case of sustained and significant increase in revenues and accruals while maintaining working capital cycle. Conversely, the outlook may be revised to Negative in case of further decline in capital structure or large debt funded capex undertaken by the company.

About the Rated Entity - Key Financials

For FY2016, PFMPL reported PAT of Rs.0.30 cr on operating income of Rs.64.96 cr as compared to Rs.0.28 cr on operating income of Rs.56.26 cr for FY2015. The net worth stands at Rs.5.61 cr in FY2016 as against Rs.5.31 cr last year.

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

*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	12.25	SMERA BB / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	1.43	SMERA BB / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	0.01	SMERA BB / Stable

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