

Press Release

07 March, 2017

Poorvanchal Food Products Private Limited

Rating Assigned

Total Bank Facilities Rated *	Rs.10.00 Cr
Long Term Rating	SMERA B+/Stable

**Refer Annexure for details*

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B+**' (read as **SMERA B plus**) on the Rs. 10.00 crore bank facilities of Poorvanchal Food Products Private Limited. The outlook is '**Stable**'.

Poorvanchal Food Products Private Limited (PFPPPL) was incorporated in 1997 as a private limited company. The company is engaged in the milling and processing of agro products like wheat flour, maida, sooji, rawa among others and has an installed capacity of 300 metric tons per day. The company procures raw material from the local market and sells its product pan India.

Key Rating Drivers

Strengths

- **Experienced management and long track record of operations**

PFPPPL, incorporated in 1997 has been in existence for around 20 years. The promoters Mr. Murari Lal Agarwal, Mr. Harish Kedia and the CEO, Mr. Gaurav Kedia have experience of around two decades in the industry.

- **Established brand name**

The company sells its products under the 'Nitya Bhog' and 'Gomukh Choker' brand names.

Weaknesses

- **Average financial risk profile**

The average financial risk profile is marked by moderate gearing (debt-to-equity) of 1.89 times as on March 31, 2016 against 1.70 times as on March 31, 2015. Moreover, the interest coverage ratio stood at 1.47 times in FY2015-16 against 1.57 times in FY2014-15. The operating margin was moderate at 7.70 per cent in FY2015-16 against 6.55 per cent in FY2014-15. The RoCE stood at 9.67 percent in FY2016 as compared to 10.35 percent a year earlier. The profitability margin has been low at 0.27 per cent in FY2016 as compared to 0.29 per cent in the previous year.

- **Intense competition**

The company faces intense competition from various big and small players which is likely to have an impact on its operating performance and profitability.

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 management's extensive experience and long track record of operations. The outlook may be revised to Positive in case of sustained increase in revenues and accruals while improving profitability. Conversely, the outlook may be revised to Negative in case of significant decline in capital structure or deterioration of the financial risk profile.

About the Rated Entity - Key Financials

For FY2015-16, the company reported profit after tax (PAT) of Rs.0.06 cr on operating income of Rs.21.75 cr, as compared with PAT of Rs.0.08 cr on operating income of Rs.27.07 cr in FY2014-15. The net worth stood at Rs.4.55 cr as on March 31, 2016 against Rs.4.20 cr a year earlier. The net worth of Rs.4.55 cr in FY2016 includes quasi equity of Rs.3.49 cr.

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. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	9.00	SMERA B+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	1.00	SMERA B+ / Stable

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ABOUT SMERA

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