

Press Release

Poorvanchal Food Products Private Limited

08 May, 2018



Rating Reaffirmed and Assigned

Total Bank Facilities Rated*	Rs. 12.44 Cr. (Enhanced from Rs. 10.00 Cr.)
Long Term Rating	SMERA B+ /Outlook: Stable (Reaffirmed & Assigned)

**Refer annexure for details*

SMERA has reaffirmed the 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**'.

Further SMERA has assigned long term rating of SMERA B+ (read as SMERA B plus) on the Rs. 2.44 crore bank facilities of Poorvanchal Food Products Private Limited.

Poorvanchal Food Products Private Limited (PFPL) 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 under the brand name 'Nitya Bhog' and 'Gomukh Choker'.

Key rating drivers

Strengths

Experienced management and long track record of operations:

PFPL, 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. Such extensive experience has helped develop an established network of suppliers and customers.

Favourable location of the manufacturing unit in Uttar Pradesh, in proximity to raw material sources:

The processing facility is located at Bahraich (Uttar Pradesh), which offers proximity to raw materials since the region has ample production of wheat, rice, pulses, corn, etc. Further, Bahraich also has a Galla Mandi (Grain Market) which is second biggest Grain Market in Uttar Pradesh. The company procures raw material from the local mandis as well as from farmers in Bahraich.

Established brand name:

The Company sells products like Wheat flour, Aata, Semolina (Raw), Crystal Suji, Bran (Choker) under the brand names 'Nitya Bhog' and 'Gomukh Choker'.

Weaknesses

Average financial risk profile:

The financial risk profile is average marked by low networth of Rs. 6.97 crore as on 31 March, 2017 as against Rs. 4.55 crore as on 31 March, 2016. Networth includes unsecured loans from promoters of Rs. 5.82 crore as same are subordinated to bank debt. The gearing stood at 1.16 times as on 31 March, 2017 as against 1.89 times as on 31 March, 2016. The gearing improved on account of repayment of long term debt from bank. The total debt of Rs. 8.08 crore as on 31 March, 2017 comprises of term loan from bank of Rs. 0.89 crore and working capital funds of Rs. 7.19 crore. The Interest Coverage (ICR) stood at 1.43 times in FY2017 as against 1.47 times in FY2016. The debt service coverage ratio (DSCR) stood weak at 0.75 times in FY2017 and 1.17 times in the previous year. The Total outside liabilities to Total Net worth (TOL/TNW) stood at 1.22 times in FY2017 as against 1.98 times in FY2016.

Working capital intensive business:

The operations of PFPPL are working capital intensive evident from Gross Current Asset (GCA) days of 142 in FY2017 as against 120 days in FY2016. The GCA days are high on account of high inventory holding period of 67 days in FY2017 as compared to 63 days in FY2016. Further, the company had debtor days of 38 in FY2017 as compared to 51 in FY2016.

Agro climatic risks:

Various grains like wheat, rice, oat, cereal, etc. are agricultural commodities and are exposed to vagaries of monsoon and other agricultural risks such as outbreak of diseases, lower/higher-than-projected production levels (which impact the supply and hence the price), poor storage capacities and inconsistencies in quality.

Intense competition:

The Company faces intense competition from various organised and unorganised 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 Poorvanchal Food Products Private to arrive at the rating.

Outlook – Stable

SMERA believes that the outlook on PFPPL's rated facilities will remain stable over the medium term on account of its promoter's extensive experience and established operational track record. The outlook may be revised to 'Positive' in case of significant growth in revenue and profitability while effectively managing its liquidity position. Conversely, the outlook may be revised to 'Negative' in case of decline in net cash accruals, deterioration in the financial and liquidity profile due to higher than envisaged working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	24.29	21.75	27.07
EBITDA	Rs. Cr.	1.79	1.68	1.77
PAT	Rs. Cr.	0.09	0.06	0.08
EBITDA Margin	(%)	7.37	7.70	6.55
PAT Margin	(%)	0.38	0.27	0.29
ROCE	(%)	9.44	9.67	10.35
Total Debt/Tangible Net Worth	Times	1.16	1.89	1.70
PBDIT/Interest	Times	1.43	1.47	1.57
Total Debt/PBDIT	Times	4.51	5.12	3.84
Gross Current Assets (Days)	Days	142	120	67

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

None

Any other information:

Not Applicable

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)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
07-March-2017	Cash Credit	Long Term	9.00	SMERA B+ / Stable (Assigned)
	Term Loan	Long Term	1.00	SMERA B+ / Stable (Assigned)

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	SMERA B+/ Stable (Reaffirmed)

					& Assigned)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.44	SMERA B+/ Stable (Assigned)

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ABOUT SMERA

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