

Press Release

13 May, 2017

Patni Pulses

Rating Assigned

Total Bank Facilities Rated *	Rs. 14.50 Cr
Long Term Rating	SMERA B/Stable

Refer Annexure for details

Rating Rationale

SMERA has assigned the long-term rating of '**SMERA B**' (read as **SMERA B**) on the Rs.14.50 cr bank facilities of Patni Pulses. The outlook is '**Stable**'.

Patni Pulses was established as a partnership firm in the year 2007. The firm is currently managed by four partners' viz. Mr. Yogesh Patni, Mr. Pankaj Patni, Mrs. Deepali Patni and Mrs. Puja Patni. Patni Pulses is engaged in processing & trading of pulses and food grains in Jalna, Maharashtra.

Key Rating Drivers

Strengths

Long Track record of operations: Patni Pulses has been in the business of processing of pulses and food grains since 2007 and hence benefits from its long track record of operations.

Healthy revenue growth: Patni Pulses' revenue has increased by 28 per cent in FY2015-16 and stood at Rs.49.27 cr as compared to Rs.38.47 cr in FY2014-15. In FY2016-17, the firm has registered revenue of Rs.74.00 crore (provisional).

Weaknesses

Weak financial risk profile: Patni Pulses has a weak financial risk profile marked by low interest coverage ratio of 1.24 times in FY2015-16 and high gearing of 15.45 times as on March 31, 2016. However, total debt of Rs.13.19 cr includes unsecured loans from related parties to the tune of Rs.2.86 crores as on March 31, 2016. In FY2016-17, the firm has added new machinery which was funded by way of term loan of Rs.1.50 crores.

Working capital intensive nature of operation: Patni Pulses operations are working capital intensive as reflected in Gross current assets of 100 days in FY2015-16. Further, the utilisation of working capital limits is ~94 per cent in the last 6 months ending March 31, 2017.

Intense Competition: Patni Pulses is exposed to intense competition from large number of organized & unorganized players in the food processing industry.

Analytical approach: SMERA has considered the standalone business and financial risk profile of Patni Pulses to arrive at the rating.

Outlook – Stable

SMERA believes that Patni Pulses will maintain a stable business risk profile over the medium term. The firm will continue to benefit from its long operational track record of operation and experienced management. The outlook may be revised to 'Positive' in case the firm improves its financial risk profile and scale of operations. Conversely, the outlook may be revised to 'Negative' in case of further deterioration in the firm's financial risk profile and lower than expected profit margins.

About the Rated Entity – Key Financials

For FY2015-16, Patni Pulses reported net profit of Rs. 0.05 cr on operating income of Rs. 49.27 cr as compared with net profit of Rs. 0.01 cr on operating income of Rs. 38.47 cr in the previous year. The net worth stood at Rs. 0.85 cr as on March 31, 2016 as against Rs. 0.80 cr in the previous year.

Applicable Criteria

- Manufacturing Entities - <https://www.smerra.in/criteria-manufacturing.htm>
- Application of Financial Ratios and Adjustments: <https://www.smerra.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smerra.in/criteria-default.htm>

Note on complexity levels of the rated instrument:

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

Status of non-cooperation with previous CRA: Not Applicable

Any other information: None

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	N.A.	N.A.	N.A.	8.50	SMERA B/Stable (Assigned)
Term loans	N.A.	N.A.	March 2024	1.50	SMERA B/Stable (Assigned)
Proposed Fund Based Facility	N.A.	N.A.	N.A.	4.50	SMERA B/Stable (Assigned)

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ABOUT SMERA

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