

Press Release

Patel Retail Private Limited

December 15, 2022



Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	15.00	ACUITE BBB Stable Assigned	-
Bank Loan Ratings	35.30	ACUITE BBB Stable Reaffirmed	-
Bank Loan Ratings	43.00	-	ACUITE A3+ Assigned
Bank Loan Ratings	64.70	-	ACUITE A3+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	158.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) and the short term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) on the Rs.100.00 crore bank facilities of Patel Retail Private Limited (PRPL). The outlook is '**Stable**.'

Acuite has also assigned a long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) and short term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) on the Rs.58.00 crore bank facilities of Patel Retail Private Limited (PRPL). The outlook is '**Stable**.'

Rationale for rating reaffirmation

The rating reaffirmation takes into account PRPL's moderate financial risk profile along with experienced management and established track record of operations. The rating is however constrained by the company's stagnant operating performance on a year-on-year basis, moderately working capital intensive operations, agro climatic risk and presence in the highly fragmented and competitive industry. Ability of PRPL to improve its scale of operations while maintaining profitability and to improve its working capital cycle over the medium term will remain a key rating sensitivity factor.

About the Company

PRPL incorporated in the year 2007 has around 29 supermarket stores in the central line of Mumbai. The supermarket stores operate under brand name of 'Patel R. Mart' and sells various kind of groceries, home & personal care, spices, oils, dry fruits, utensils among other essential as well as non-essential commodities. The company has two processing units, one each at Ambernath, Maharashtra and Dhudai, Gujarat where it carries out processing of pulses, peanuts, cumin seeds, and coriander seeds among others.

Analytical Approach

Acuite has considered the standalone financial and business risk profiles of PRPL to arrive at the rating.

Key Rating Drivers

Strengths

Experienced management with an established track record of operations and diversified geographical business presence

PRPL has an established track of operations of more than a decade. The company is promoted by Mr. Bechar Patel and Mr. Dhanji Patel, having an experience of over two decades in retail industry. The promoters are being supported by its team of experienced professionals in managing day to day operations of PRPL. The extensive experience of the promoters has enabled PRPL to establish a healthy relationship with its customers and suppliers in the exports market and expansion of its store network in the central line of Mumbai over the years. At present, PRPL has 29 supermarket stores under its own brand 'Patel R. Mart' and 2 garment stores under the brand 'Patel R Choice' which are in close proximity to residential areas and railway stations in Mumbai.

The overall experience of the management has helped the company achieve revenue of Rs.766 Cr in FY2022 and Rs.823 Cr. in FY2021. However, the revenue is now stagnating around Rs.800 Cr. Despite stagnation in revenue, the operating profitability remained stable around 3.59 percent in FY2022 as against 3.45 percent in FY2021 whereas the net profit margin also remained stable at 1.50 percent in FY2022 as against 1.41 percent in FY2021.

Acuité believes that PRPL will continue to benefit from its experienced management with an established track record of operations and its diversified geographical business presence. Also, the ability of PRPL to improve its scale of operations while maintaining the profitability in near to medium term will remain a key rating sensitivity factor.

Moderate financial risk profile

Financial risk profile of PRPL is moderate marked by moderate network, low gearing and average debt protection metrics. The network of the company has improved to Rs.84 Cr as on 31 March, 2022 as against Rs.74 Cr as on 31 March, 2021 on account of healthy accretion to reserves. It also includes the amount of Rs.23 Cr as quasi equity since the unsecured loans from promoters/directors infused into the business are subordinated to bank borrowings. The gearing (debt-equity) stood improved at 1.76 times as on 31 March, 2022 as against 2.05 times as on 31 March, 2021. The gearing of the company is expected to improve and remain low over the medium term on account of absence of any debt funded capex plans in the future. The total debt of Rs.148 Cr as on 31 March, 2022 consists of long term bank borrowings of Rs.20 Cr and short term bank borrowings of Rs.128 Cr.

The interest coverage ratio stood improved at 3.28 times for FY2022 as against 3.19 times for FY2021 while the DSCR stood lower at 1.33 times for FY2022 as against 2.21 times for FY2021. The Net Cash Accruals to Total debt stood at same level of 0.10 times for FY2022 and FY2021. The Total outside liabilities to Tangible net worth stood marginally improved at 2.32 times for FY2022 as against 2.39 times for FY2021.

Acuité believes that the financial risk profile of PRPL will remain moderate over the medium term on account of its moderate debt levels vis-à-vis moderate tangible net worth and average debt protection metrics.

Weaknesses

Moderate working capital intensive operations

The operations of PRPL are moderately working capital intensive marked by its Gross Current Assets (GCA) of 92 days for FY2022 as against 83 days for FY2021 on account of high receivables cycle during the same period which stood at same level of 42 days for FY2022 and 41 days for FY2021. Further, the creditors stood at 17 days for FY2022 as against 12 days for FY2021 whereas the inventory cycle of the company stood at same level of 27 days for FY2022 and 28 days for FY2021.

Acuité believes that PRPL's ability to improve its working capital cycle over the medium term will remain a key rating sensitivity factor.

Agro climatic risk

PRPL is transforming from marketing and selling of products to processing of products by its own through its new agro processing facility at Dhudai, Gujarat. The products include agro commodities and its availability is totally dependent on monsoon and climatic conditions. This exposes PRPL to the risk of raw material availability at the implementation time and may have impact on operations. However, Acuité believes that promoters' experience and established presence of the company in the industry would reduce such risk to some extent.

Highly fragmented and competitive industry

The Indian retail industry is fragmented with presence of large number of organised players, E-retailers and funding from foreign players has boosted entry of new players. PRPL would face high competition from the existing retailers and new entrants, both organised and unorganized, thereby impacting pricing power. Further, slowdown in footfall amid competitive factors will hurt the overall financial risk profile and liquidity of the company.

Rating Sensitivities

- Ability to improve scale of operations while maintaining profitability
- Ability to improve working capital cycle

Material covenants

None

Liquidity position - Adequate

PRPL has adequate liquidity position marked by adequate net cash accruals (NCA) to its maturing debt obligations. The company generated cash accruals in the range of Rs.11 Cr to Rs.15 Cr during FY2020 to FY2022 against its repayment obligation in the range of Rs.2 Cr to Rs.5 Cr during the same period. Going forward the NCA are expected in the range of Rs.19 Cr to Rs.23 Cr for period FY2023-FY2024 against its repayment obligation in the range of Rs.6 Cr to Rs.3 Cr for the same period. The working capital operations of the company are moderately intensive marked by its gross current asset (GCA) days of 92 days for FY2022 as against 83 days for FY2021 on account of high receivables cycle during the same period. The average bank limit utilization for 6 months' period ended September 2022 stood high at ~90 percent. Current ratio stands at 1.14 times as on 31 March 2022. The company has maintained cash & bank balance of Rs.1 Cr in FY2022.

Acuité believes that the liquidity of PRPL is likely to remain adequate over the medium term on account of adequate cash accruals against its maturing debt obligations.

Outlook: Stable

Acuité believes that PRPL will maintain 'Stable' outlook over the medium term on account of its experienced management with established track record of operations and moderate financial risk profile. The outlook may be revised to 'Positive' in case of significant and sustained growth in revenue and profitability while effectively managing its working capital cycle and keeping the debt levels moderate. Conversely, the outlook may be revised to 'Negative' in case of lower than expected growth in revenue or deterioration in the financial and liquidity profile most likely as a result of higher than envisaged working capital requirements.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	765.84	822.84
PAT	Rs. Cr.	11.48	11.61
PAT Margin	(%)	1.50	1.41
Total Debt/Tangible Net Worth	Times	1.76	2.05
PBDIT/Interest	Times	3.28	3.19

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-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Trading Entity: <https://www.acuite.in/view-rating-criteria-61.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
16 Sep 2021	Working Capital Demand Loan	Long Term	8.14	ACUITE BBB Stable (Reaffirmed)
	Post Shipment Credit	Short Term	5.00	ACUITE A3+ (Reaffirmed)
	Term Loan	Long Term	1.00	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	0.72	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	0.21	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	4.61	ACUITE BBB Stable (Reaffirmed)
	Post Shipment Credit	Short Term	2.00	ACUITE A3+ (Reaffirmed)
	Term Loan	Long Term	1.04	ACUITE BBB Stable (Reaffirmed)
	Secured Overdraft	Long Term	10.00	ACUITE BBB Stable (Reaffirmed)
	Bank Guarantee	Short Term	1.00	ACUITE A3+ (Reaffirmed)
	Term Loan	Long Term	0.72	ACUITE BBB Stable (Reaffirmed)

	Cash Credit	Long Term	8.50	ACUITE BBB Stable (Reaffirmed)
	Post Shipment Credit	Short Term	41.70	ACUITE A3+ (Reaffirmed)
	Term Loan	Long Term	0.36	ACUITE BBB Stable (Reaffirmed)
	Packing Credit	Short Term	15.00	ACUITE A3+ (Reaffirmed)
17 Jun 2020	Post Shipment Credit	Short Term	5.00	ACUITE A3+ (Upgraded from ACUITE A3)
	Term Loan	Long Term	4.61	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Post Shipment Credit	Short Term	2.00	ACUITE A3+ (Upgraded from ACUITE A3)
	Term Loan	Long Term	0.36	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Secured Overdraft	Long Term	10.00	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Term Loan	Long Term	0.72	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Post Shipment Credit	Short Term	41.70	ACUITE A3+ (Upgraded from ACUITE A3)
	Term Loan	Long Term	0.72	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Working Capital Demand Loan	Long Term	8.14	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Bank Guarantee	Short Term	1.00	ACUITE A3+ (Upgraded from ACUITE A3)
	Term Loan	Long Term	1.04	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
		Long		ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Cash Credit	Term	8.50	ACUITE BBB- Stable)
	Packing Credit	Short Term	15.00	ACUITE A3+ (Upgraded from ACUITE A3)
	Foreign Currency Term Loan	Long Term	0.08	ACUITE BBB Stable (Upgraded and Withdrawn)
	Term Loan	Long Term	0.21	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Term Loan	Long Term	1.00	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Post Shipment Credit	Short Term	41.70	ACUITE A3 (Reaffirmed)
	Foreign Currency Term Loan	Long Term	0.08	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	2.46	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	1.57	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE BBB- (Withdrawn)
	Cash Credit	Long Term	8.50	ACUITE BBB- Stable (Reaffirmed)
	Packing Credit	Short Term	15.00	ACUITE A3 (Reaffirmed)
	Post Shipment Credit	Short Term	2.00	ACUITE A3 (Reaffirmed)

01 Mar 2019	Term Loan	Long Term	8.00	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	1.58	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	0.49	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	1.85	ACUITE BBB- Stable (Reaffirmed)
	Term Loan	Long Term	1.16	ACUITE BBB- Stable (Reaffirmed)
	Secured Overdraft	Long Term	10.00	ACUITE BBB- Stable (Reaffirmed)
	Bank Guarantee	Short Term	1.00	ACUITE A3 (Reaffirmed)
	Proposed Term Loan	Long Term	4.61	ACUITE BBB- Stable (Reaffirmed)
	Proposed Packing Credit	Short Term	5.00	ACUITE A3 (Withdrawn)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
HDFC Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	1.00	ACUITE A3+ Reaffirmed
Standard Chartered Bank	Not Applicable	Bills Discounting	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE A3+ Assigned
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	8.50	ACUITE BBB Stable Reaffirmed
HDFC Bank Ltd	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	Simple	15.00	ACUITE A3+ Reaffirmed
HDFC Bank Ltd	Not Applicable	PC/PCFC	Not Applicable	Not Applicable	Not Applicable	Simple	23.00	ACUITE A3+ Assigned
Yes Bank Ltd	Not Applicable	Post Shipment Credit	Not Applicable	Not Applicable	Not Applicable	Simple	41.70	ACUITE A3+ Reaffirmed
Standard Chartered Bank	Not Applicable	Post Shipment Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE A3+ Reaffirmed
HDFC Bank Ltd	Not Applicable	Post Shipment Credit	Not Applicable	Not Applicable	Not Applicable	Simple	2.00	ACUITE A3+ Reaffirmed
Yes Bank Ltd	Not Applicable	Post Shipment Credit	Not Applicable	Not Applicable	Not Applicable	Simple	15.00	ACUITE A3+ Assigned
Standard Chartered Bank	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE BBB Stable Reaffirmed
Yes Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.72	ACUITE BBB Stable Reaffirmed
Yes Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.36	ACUITE BBB Stable Reaffirmed
HDFC Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1.04	ACUITE BBB Stable Reaffirmed
HDFC Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.21	ACUITE BBB Stable Reaffirmed
HDFC Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	1.00	ACUITE BBB Stable Reaffirmed

HDFC Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.72	ACUITE BBB Stable Reaffirmed
HDFC Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	4.61	ACUITE BBB Stable Reaffirmed
HDFC Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	15.00	ACUITE BBB Stable Assigned
HDFC Bank Ltd	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	Simple	8.14	ACUITE BBB Stable Reaffirmed

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in Nilesh Soni Analyst-Rating Operations Tel: 022-49294065 nilesh.soni@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.