

## Press Release

### Padmavati Agrico India Private Limited (PAIPL)

May 09, 2018



#### Rating Assigned

<b>Total Instruments Rated*</b>	Rs.10.00 Cr
<b>Long Term Rating</b>	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 Padmavati Agrico (India) Private Limited (PAIPL). The outlook is '**Stable**'.

Padmavati Agrico (India) Private Limited (PAIPL) incorporated in 2009 is engaged in Barley malting business. The manufacturing facility is located in Ajmer (Rajasthan) with an installed capacity of 14000 metric tonnes per annum (MTPA). Mr. Bhag Chand Jain, Mrs. Manju Lata Jain, Mr. Yogesh Jain are the promoters of the company.

#### Key Rating Drivers

##### Strengths

###### **Extensive experience of promoters:**

The promoters, Mr. Bhag Chand Jain and Mrs. Manju Lata Jain have an experience of over four decades in the industry. Their longstanding and established presence helped the company in doing business with reputed clientele and industry leaders like United Spirits Limited, Carlsberg India Pvt Ltd among others. SMERA believes that PAIPL will continue to benefit from the promoters' presence in the industry.

###### **Locational Advantage:**

Rajasthan is the largest producer of barley which is the key raw material for manufacturing of malt. As the unit is strategically located out of barley hub, it has the advantage of sourcing at competitive prices during the peak season for its operations throughout the year.

##### Weaknesses

###### **Weak financial risk profile:**

The financial risk profile is marked by high gearing and weak debt protection metrics. The gearing (debt-to-equity) is high at about 6.6 times as of March 31, 2017 due to modest net worth of Rs.3.33 crore. The debt protection metrics of Interest Coverage Ratio and Net Cash Accruals to Total Debt (NCA/TD) are weak at 1.33 times and 0.03 times respectively for FY2017. SMERA believes that the financial risk profile will continue to be weak on account of modest scale of revenues at Rs.28.00 crore in FY2018 (provisional) and low profitability margins.

###### **Vulnerability of operating margin to fluctuations in raw material prices:**

The main raw material, barley is an agricultural and seasonal produce available during March to June. The prices vary due to the seasonality and availability linked to the climatic condition. Any significant change in raw material prices will have a bearing on the profitability. The operating profitability has declined from 13.21 percent in FY2016 to 11.57 percent in FY2017.

### Customer concentration in revenue:

PAIPL's revenues are skewed towards two clients Carlsberg India Pvt Ltd and United Spirits Limited accounting for almost 95 percent of revenue in FY2017. SMERA believes that PAIPL's operations will continue to be client centric, though it is partially mitigated by the company's longstanding relationship with its clients and criticality of the material supplies.

### Analytical approach:

SMERA has considered the standalone business and financial risk profiles of JIPL to arrive at this rating.

### Outlook: Stable

SMERA believes that PAIPL will maintain a 'Stable' outlook over the medium term on account of the management's experience in the industry. The outlook may be revised to 'Positive' in case of significant growth in its revenues while improving its profitability and capital structure by equity infusion. Conversely, the outlook may be revised to 'Negative' in case of any further stretch in its working capital cycle deteriorating its financial risk profile and liquidity.

### About the rated entity Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	22.14	18.45	17.70
EBITDA	Rs. Cr.	2.56	2.44	2.38
PAT	Rs. Cr.	0.04	0.04	0.03
EBITDA Margin	(%)	11.57	13.21	13.45
PAT Margin	(%)	0.18	0.23	0.18
ROCE	(%)	9.46	10.00	20.03
Total Debt/Tangible Net Worth	Times	6.56	5.04	4.14
PBDIT/Interest	Times	1.33	1.36	1.39
Total Debt/ EBITDA	Times	8.02	6.74	6.00
Gross Current Assets (Days)	Days	316	279	217

### Any other information:

Not Applicable

### Analytical approach:

SMERA has considered standalone business and financial risk profiles of PAIPL.

### Applicable Criteria

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

### Note on complexity levels of the rated instrument

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

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

Not Applicable

### 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	5.00	SMERA B+/Stable (Assigned)
Term Loan	Not Applicable	Not Applicable	Not Applicable	2.90	SMERA B+/Stable (Assigned)
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	2.10	SMERA B+/Stable (Assigned)

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