

Press Release

Palash Udyog Foods Private Limited

July 26, 2018

Rating Assigned



| | |
|-------------------------------------|------------------------------|
| Total Bank Facilities Rated* | Rs. 6.75 Cr. |
| Long Term Rating | ACUITE BB- / Outlook: Stable |

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) on the Rs.6.75 crore bank facilities of Palash Udyog Foods Private Limited. The outlook is '**Stable**'.

Palash Udyog Foods Private Limited (PUFPL) incorporated in 2002 is based at Cuttack (Odisha) promoted by Mr. Palash Patra and Mr. Amit Patra. The company is engaged in processing of spices such as turmeric, cumin, red chillies, and coriander seeds and other blended spices. The product is marketed in packaging of 500 gram and 50 gram under the brand name of 'Meera'. Further, PUFPL is engaged in packaging of mustard oil and palm oil under its brand name 'Meera'. The company's product is certified by AGMARK.

Key Rating Drivers

Strengths

- **Established track record and experienced management**

PUFPL has an established track record spanning over more than a decade in fast moving consumer goods (FMCG) sector. The key promoter, Mr. Palash Patra, has more than two decades of experience in processing of spices and trading of oil by virtue of his association with their group company 'M/s Patra Enterprises'.

- **Comfortable working capital cycle**

The working capital cycle of PUFPL is comfortable marked by Gross Current Assets (GCA) of 57 days in FY2018 as against 44 days in FY2017. The GCA are mainly on account of inventory and debtor of 28 days and 23 days respectively in FY2018 as against 18 days and 8 days. Going forward, the company's ability to efficiently manage working capital requirement along with sustainable growth in revenue profile would be key credit monitorable.

Weaknesses

- **Thin profitability margins**

PUFPL has thin net margins which stood at 0.32 percent in FY2018 and 0.29 percent in FY2018 (Provisional). The low accrual is on account of pricing pressure to market its product.

- **Average financial risk profile:**

PUFPL's net worth is low at Rs.4.33 crore as on March 31, 2018 (Provisional) as against Rs.4.03 crore as on March 31, 2017. The gearing remained moderate at 1.58 times on March 31, 2018 (Provisional) as against 1.24 times as on March 31, 2017. However, gearing is expected to deteriorate on account of capex of Rs.6.50 crore for up gradation and installation of machinery. The same is to be funded via long term borrowing of Rs.4.00 crore and unsecured loans of Rs.2.50 crore. Interest Coverage Ratio stood at a moderate 1.89 times for FY2018 as against 1.95 times for FY2017. The net cash accruals to total debt remain low at 0.07 times for FY2018 as against 0.09 times for FY2017.

- **Volumes exposed to agro-climatic risks and price competitiveness**

The company is engaged in processing and exporting of spices such as pepper, turmeric, red chillies and cumin. By virtue of these being agro commodities, the supply would depend on agro-climatic conditions. Given the limited value additions, price plays an important role in determining volumes. Lower supply and reduced price competitiveness would result in lower volumes for the company.

Analytical Approach

Acuite has taken a standalone view of the financial and business risk profile of PUFPL to arrive at this rating.

Outlook: Stable

Acuite believes PUFPL will continue to benefit from its established track record in the spice business. The outlook may be revised to 'positive' if there is sustainable increase in revenue profile accompanied by margin improvement. The outlook may be revised to 'negative' in case the financial risk profile deteriorates due to debt led capex, lower sales or deterioration in profit margins.

About the Rated Entity - Key Financials

| | Unit | FY18 (Actual) | FY17 (Actual) | FY16 (Actual) |
|-------------------------------|---------|---------------|---------------|---------------|
| Operating Income | Rs. Cr. | 84.38 | 82.31 | 69.95 |
| EBITDA | Rs. Cr. | 1.24 | 1.15 | 0.98 |
| PAT | Rs. Cr. | 0.27 | 0.24 | 0.18 |
| EBITDA Margin | (%) | 1.47 | 1.39 | 1.40 |
| PAT Margin | (%) | 0.32 | 0.29 | 0.26 |
| ROCE | (%) | 10.73 | 10.82 | 20.44 |
| Total Debt/Tangible Net Worth | Times | 1.58 | 1.24 | 1.19 |
| PBDIT/Interest | Times | 1.89 | 1.95 | 1.74 |
| Total Debt/PBDIT | Times | 5.17 | 4.36 | 4.45 |
| Gross Current Assets (Days) | Days | 57 | 44 | 48 |

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.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 | 6.00 | ACUITE BB- / Stable |
| Term loans | Not Applicable | Not Applicable | Not Applicable | 0.75 | ACUITE BB- / Stable |

Contacts

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About Acuité Ratings & Research:

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