

Press Release

P K Agri Link Private Limited

October 14, 2020

Rating Assigned



Total Bank Facilities Rated*	Rs.65.00 Cr.
Long Term Rating	ACUITE BBB-/Stable (Assigned)
Short Term Rating	ACUITE A3 (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned the long term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and the short term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs. 65.00 crore bank facilities of P K Agri Link Private Limited. The outlook is '**Stable**'.

About the company

Incorporated in 2008, P K Agri Link Private Limited (PKAPL) is engaged in manufacturing of crude rice bran oil and de-oiled rice bran. PKAPL also operates a solvent extraction plant in Birbhum, West Bengal. The company belongs to Halder Venture group and promoted by West Bengal based Halder family, who are involved with rice and oil milling since 1924. Currently, the company is headed by Mr. Keshab Kumar Halder, Mr. Prabhat Kumar Halder, Mrs. Poulomi Halder and Mrs. Rekha Halder.

Analytical Approach

Acuité has taken the standalone view of the business and financial risk profile of PKAPL to arrive at the rating.

Key Rating Drivers

Strengths

• Experienced management

The key promoters of the company, Mr. Keshab Kumar Halder, Mr. Prabhat Kumar Halder and Mrs. Rekha Halder have been in the edible oil industry for more than a decade. In addition to this, the promoters are also present in the rice mill industry for 25 years. Acuité derives comfort from the long experience of the promoter.

• Significant growth in revenue

The company has improving revenue trend marked by operating income of Rs.187.95 Cr in FY2020 as compared to revenues of Rs.159.88 Cr in FY2019 and Rs.120.34 Cr in FY2018, thereby registering CAGR of 24.97 per cent over two years. The growth in revenue is on account of volume growth in sales driven by increased demand. Acuité believes that the sustainability of the revenue growth would be a key monitorable going forward.

• Above average financial risk profile

The company's above average financial risk profile is marked by modest networth, moderate gearing and strong debt protection metrics. The tangible net worth of the company increased to Rs.30.44 Cr as on March 31, 2020 from Rs.26.66 Cr as on March 31, 2019. Gearing of the company stood moderate at 1.65 times as on March 31, 2020 as against 1.38 times as on March 31, 2019. The debt of Rs.50.31 Cr consists mainly of working capital from the bank of Rs.45.95 Cr as on March 31, 2020. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood high at 1.92 times as on March 31, 2020 as against 1.97 times as on March 31, 2019. The strong debt protection metrics of the company is marked by Interest Coverage Ratio at 2.69 times as on March 31, 2020 and Debt Service Coverage Ratio at 1.30 times as on March 31, 2020. Net Cash Accruals/Total Debt (NCA/TD) stood healthy at 0.10 times as on March 31, 2020. Acuité believes that going forward the financial risk profile of the company will remain above average over the medium term, in the absence of any major debt-funded capex plans.

Weakness

- Moderate working capital management**

The moderate working capital management of the company is marked by Gross Current Assets (GCA) of 119 days as on 31st March 2020 as compared to 116 days as on 31st March 2019. The rise in the level of GCA days is on account of moderate inventory levels during the same period. The inventory holding stood at 64 days as on 31st March 2020 same as on 31st March 2019. Further, the debtor period stood at 40 days as on 31st March 2020 as compared to 41 days as on 31st March 2019. Acuite believes that the working capital operations of the firm will remain moderate as evident from efficient collection mechanism and moderate inventory levels over the medium term.

- Susceptibility of profitability to competitive industry and fluctuations in raw material prices**

The company operates in a highly competitive and fragmented industry and faces tough competition from various established brands in the edible oil industry as well as several unorganized players, which can have an impact on the bargaining powers with the customers and hence on the margins. Profitability margins are also susceptible to raw material price fluctuation and also on the proportion of trading and processing activities of the company. The operating margin of the company stood at 5.11 per cent in FY2020 as compared to 5.36 per cent in the previous year. The PAT margins stood at 1.49 per cent in FY2020 as against 1.27 per cent in FY2019.

Rating Sensitivity

- Sustainability in their growth in scale of operations while improving profitability margin
- Improvement in working capital management

Material Covenant

None

Liquidity Profile: Adequate

The company's liquidity is adequate, marked by sufficient net cash accruals of Rs.5.26 Cr as on March 31, 2020 as against long term debt repayment of Rs.3.20 Cr over the same period. The current ratio stood modest at 1.17 times as on March 31, 2020 as compared to 1.14 times as on March 31, 2019. The fund based limit remains utilised at 92 per cent over the twelve months ended August, 2020. The company has neither availed loan moratorium nor applied for any additional COVID loan. The cash and bank balances of the group stood at Rs.0.09 Cr as on March 31, 2020 as compared to Rs.0.13 Cr as on March 31, 2019. However, the working capital management of the company is moderate marked by Gross Current Assets (GCA) of 119 days as on 31st March 2020 as compared to 116 days as on 31st March 2019. Acuite believes the liquidity of the company will remain strong marked by steady cash accruals and modest networth base.

Outlook: Stable

Acuite believes that the outlook on P K Agri Link Private Limited will remain 'Stable' over the medium term on account of the experienced management, steady business risk profile and above-average financial risk profile. The outlook may be revised to 'Positive' in case of significant growth in revenue or operating margins from the current levels while improving its working capital management. Conversely, the outlook may be revised to 'Negative' in case of a decline in revenue or operating margins, deterioration in financial risk profile or further deterioration in its working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	187.95	159.88
PAT	Rs. Cr.	2.81	2.04
PAT Margin	(%)	1.49	1.27
Total Debt/Tangible Net Worth	Times	1.65	1.38
PBDIT/Interest	Times	2.69	2.41

Status of non-cooperation with previous CRA

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.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	28.00	ACUITE BBB-/Stable (Assigned)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE BBB-/Stable (Assigned)
Term Loan I*	18.11.2017	10%	October 2021	7.00	ACUITE BBB-/Stable (Assigned)
Term Loan II**	18.11.2017	10%	October 2021	6.00	ACUITE BBB-/Stable (Assigned)
Proposed long term facility	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE BBB-/Stable (Assigned)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A3 (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A3 (Assigned)

Contacts

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About Acuité Ratings & Research

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