

Press Release
P K Agri Link Private Limited
March 02, 2022



Rating Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	3.00	-	ACUITE A3 Upgraded
Bank Loan Ratings	62.00	ACUITE BBB- Stable Upgraded	-
Total Outstanding Quantum (Rs. Cr)	65.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

*Refer Annexure for details

Rating Rationale

ACUITE has upgraded the long term rating to '**ACUITE BBB-**' (read as ACUITE triple B minus) from '**ACUITE BB+**' (read as ACUITE double B plus) and the short term rating to '**ACUITE A3**' (read as ACUITE A three) from '**ACUITE A4+**' (read as ACUITE A four plus) on the Rs.65.00 Cr bank facilities of P K Agri Link Private Limited (PKAPL). The outlook remains '**Stable**'.

The rating upgrade on PKAPL is driven by company's cooperation in providing all information required for the rating process. Also, the upgrade takes cognizance of improvement in the business risk profile marked by significant improvement in the company's scale of operations and increased penetration into the export market.

Further, the rating draws comfort from the long track record of operations in the rice and oil milling business, experienced promoters and increased networth base along with strong debt protection indicators. These strengths are however, partly offset by the working capital intensity in group's operations, high gearing levels at 2.94 times as on March 31, 2021 and susceptibility of margins to volatility in raw material prices.

About Company

Incorporated in 2008, P K Agri Link Private Limited (PKAPL) is engaged in manufacturing of rice bran oil and de-oiled rice bran. From FY21, the company has also started bagging tenders from Directorate of Food, Bangladesh and trades in rice. 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. PKAPL operates a solvent extraction plant in Birbhum, West Bengal.

About the Group

In 1924, Mr. Brindaban Chandra Halder started rice and oil Mill in Rampurhat, West Bengal. After sixty years, Mr. Prabhat Kumar Halder, the second generation director, expanded the business by acquiring Shri Lalateswari in Nalhati, Birbhum. Under the current director, Mr. Keshab Kumar Halder's leadership, the group started Shri Jataadhari Rice Mill Private Limited (SJRMPPL) in 1995. The group further added P K Cereals Private Limited (PKCPL) in 2006 and P K Agri Link Private Limited in 2008.

The P K group mills rice and manufactures crude rice bran oil and de-oiled rice bran cakes. SJRMPL and PKCPL are engaged in rice milling, while PKAPL operates a solvent extraction plant. The group's day-to-day operations are headed by Mr. Keshab Kumar Halder and Mr. Prabhat Kumar Halder. The group's products are exported to several countries worldwide, including China, Vietnam, Togo, Nepal, Bangladesh, Myanmar, Tanzania and others. The group has corporate offices in India and Singapore.

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

Acuité has considered the consolidated business and financial risk profiles of P K Agri Link Private Limited (PKAPL), P K Cereals Private Limited (PKCPL) and Shri Jatadhari Rice Mill Private Limited (SJRMPL), together referred to as the P K Group, on account of similar line of business, same management and operational linkages between the entities. Acuité has changed its analytical approach for PKAPL from standalone to consolidation due to increased synergies between the group companies.

Key Rating Drivers

Strengths

Diversified product profile and vast promoters' extensive experience in the rice and oil milling industry

The directors of the group, Mr. Keshab Kumar Halder, Mr. Prabhat Kumar Halder and Mrs. Rekha Halder have been in the edible oil industry for more than three decades. In addition to this, the group has an established presence in the rice mill industry for over 90 years. The group exports its products to several countries abroad. Further the group manufactures several products like Parboiled and puffed rice, Rice bran Oil, De-Oil Rice Bran and lecithin. Acuité derives comfort from the long experience of the promoter, the group's wide geographical presence and believes these will continue to support the business going forward.

Significant increase in the scale of operations

The scale of operations of the group has witnessed an increasing trend with a growth of 113 per cent in FY21 and 11 per cent in FY20, owing to an increase in demand for the products and hence increased capacity utilisation in FY21 for all products. Further, from FY21 onwards, the company has started trading and exporting rice to Bangladesh against large size tenders bagged from the Govt. of Bangladesh. In addition, the group exported few products in bulk vessels due to containers shortage domestically in FY21. Revenue of the group stood strong at Rs.597.98 Cr in FY21. 60-70 per cent of the group's revenue is generated from export for different products and rice export is the revenue driver of the group since FY21. Further, the group has achieved gross revenues of around Rs.858 Cr till Dec'21 (prov.). In addition, post completion of the on-going capex in SJRMPL, the group is further expected to increase its scale of rice milling and add more variants of oil extraction in PKAPL over the medium term.

Weaknesses

Working capital intensive nature of operations

The working capital intensive nature of operations is marked by Gross Current Assets (GCA) of 156 days in FY2021 as compared to 138 days in FY2020. The GCA days increased majorly due to stretch in the debtor period which stood at 105 in FY21 as compared to 59 days in FY20. The debtor period increased due to delayed realisation from export markets in PKAPL due to the pandemic. However, the debtor period improved to around 80 days in FY22 till Dec'21 (prov.). The inventory holding is efficient at 38 days in FY21 as compared to 68 days in the previous period. Going forward, Acuité believes that the working capital operations of the group will improve yet remain intensive as the group plans to further expand their rice and oil manufacturing business.

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.

Rating Sensitivities

- Sustainability in their growth in scale of operations
- Elongation in working capital cycle
- Deterioration in the capital structure

Material Covenants

None

Liquidity Position: Adequate

The group's liquidity position is adequate marked by high net cash accruals of Rs.21.06 Cr as on March 31, 2021 as against long term debt repayment of Rs.2.82 Cr over the same period. The current ratio stood moderate at 1.22 times as on March 31, 2021 as compared to 1.18 times as on March 31, 2020. The group has cash and bank balance of around Rs.2.21 Cr in FY21. The fund based limit remains utilised at 88 per cent over seven months ended December, 2021. All three companies have availed Covid loan but no loan moratorium. Going forward, Acuité believes the liquidity position of the group will be improve marked by enhanced net cash accruals.

Outlook: Stable

Acuité believes that the outlook on the group will remain 'Stable' over the medium term on account of the established track record of operations, experienced management and sound business 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 significant increase in the gearing levels or further deterioration in the working capital cycle.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	597.98	280.83
PAT	Rs. Cr.	18.34	4.36
PAT Margin	(%)	3.07	1.55
Total Debt/Tangible Net Worth	Times	2.94	1.70
PBDIT/Interest	Times	5.29	2.39

About the Rated Entity - Key Financials (Standalone)

Particulars	Unit	FY21 (Actual)	FY20 (Actual)
Operating Income	Rs. Cr.	509.05	187.95
PAT	Rs. Cr.	12.09	2.81
PAT Margin	(%)	2.37	1.49
Total Debt/Tangible Net Worth	Times	3.44	1.65
PBDIT/Interest	Times	5.58	2.69

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

Not Applicable

Any Other Information

Not Applicable

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Trading Entitie: <https://www.acuite.in/view-rating-criteria-61.htm>

Note on Complexity Levels of the Rated Instrument<https://www.acuite.in/view-rating-criteria-55.htm>**Rating History**

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
11 Jan 2022	Term Loan	Long Term	7.00	ACUITE BB+ (Downgraded & Issuer not co-operating*)
	Letter of Credit	Short Term	2.00	ACUITE A4+ (Downgraded & Issuer not co-operating*)
	Term Loan	Long Term	6.00	ACUITE BB+ (Downgraded & Issuer not co-operating*)
	Cash Credit	Long Term	28.00	ACUITE BB+ (Downgraded & Issuer not co-operating*)
	Bank Guarantee	Short Term	1.00	ACUITE A4+ (Downgraded & Issuer not co-operating*)
	Cash Credit	Long Term	15.00	ACUITE BB+ (Downgraded & Issuer not co-operating*)
	Proposed Bank Facility	Long Term	6.00	ACUITE BB+ (Downgraded & Issuer not co-operating*)
14 Oct 2020	Bank Guarantee	Short Term	1.00	ACUITE A3 (Assigned)
	Cash Credit	Long Term	15.00	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	28.00	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	7.00	ACUITE BBB- Stable (Assigned)
	Letter of Credit	Short Term	2.00	ACUITE A3 (Assigned)
	Proposed Bank Facility	Long Term	6.00	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	6.00	ACUITE BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Axis Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A3 Upgraded
Axis Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	28.00	ACUITE BBB- Stable Upgraded
Indusind Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	17.88	ACUITE BBB- Stable Upgraded
Standard Chartered Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE BBB- Stable Upgraded
Axis Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A3 Upgraded
Axis Bank	Not Applicable	Term Loan	Not available	Not available	Not available	1.12	ACUITE BBB- Stable Upgraded

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About Acuité Ratings & Research

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and 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. Since then, it has assigned more than 8,850 credit 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.

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