

Press Release

P K Cereals Private Limited

March 09, 2022



Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	10.00	ACUITE BBB- Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	10.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

*Refer Annexure for details

Rating Rationale

ACUITE has assigned the long-term rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) on the Rs.10.00 Cr bank facilities of P K Cereals Private Limited (PKCPL). The outlook is '**Stable**'.

The rating on PKCPL draws comfort from the sound business risk position of the group marked by the long track record of operations in the rice and oil milling business, experienced promoters and healthy scale of operations. Further, the group has a modest net worth 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 2006, P K Agri Cereals Limited (PKCPL) is engaged in manufacturing of 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.

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 Jatadhari 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. SJRMPPL 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 (SJRMPPL), 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 SJRMPPL, 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)

	Unit	FY21 (Actual)	FY20 (Actual)
Operating Income	Rs. Cr.	53.35	30.97
PAT	Rs. Cr.	0.80	0.40
PAT Margin (%)		1.49	1.28
Total Debt / Tangible Net Worth	Times	1.64	1.40
PBDIT/Interest	Times	2.72	1.96

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:

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE BBB- Stable Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BBB- Stable Assigned

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About Acuité Ratings & Research

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