

Press Release

P K Cereals Private Limited

August 04, 2022

Rating Reaffirmed



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Total Withdrawn Quantum (Rs.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

Rating Rationale

ACUITE has reaffirmed 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 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, moderate gearing levels and susceptibility of margins to volatility in raw material prices.

About the 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 (SJRML) 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. SJRML 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

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 (SJRML), 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 brand 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 marked an increasing trend with a growth of 65 per cent in FY22 and 113 per cent in FY21, owing to an increase in demand for the products and hence increased capacity utilisation in 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. Revenue of the group stood strong at Rs.987.06 Cr in FY22. 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.

Efficient working capital management

The efficient working capital management of the company is marked by Gross Current Assets (GCA) of 66 days in FY2022 as compared to 156 days in FY2021. The debtor period improved to around 32 days in FY22 as compared to 105 days in FY2021. Further, the inventory holding is also efficient at 24 days in FY22 as compared to 38 days in the previous period. Going forward, Acuité believes that the working capital operations of the group will remain at the same level.

Weaknesses

Moderate financial risk profile

The group's moderate financial risk profile is marked by modest albeit improving network, moderate gearing and strong debt protection metrics. The tangible net worth of the group increased to Rs.93.57 Cr as on March 31, 2022 from Rs.65.16 Cr as on March 31, 2021 due to accretion of reserves. Gearing of the group is moderate at 1.11 times as on March 31, 2022 as against 2.94 times as on March 31, 2021. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.44 times as on March 31, 2022 as against 3.53 times as on March 31, 2021. The strong debt protection metrics of the group is marked by Interest Coverage Ratio at 4.46 times and Debt Service Coverage Ratio (DSCR) at 3.03 times as on March 31, 2022. NCA/TD stood at 0.23 times in FY2022. Going forward, Acuité believes that the financial risk profile of the group will improve backed by steady accruals and no major debt funded capex plans.

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.

ESG Factors Relevant for Rating

Not Applicable

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.24.25 Cr as on March 31, 2022 as against long term debt repayment of Rs.1.60 Cr over the same period. Further, the current ratio stood comfortable at 1.62 times as on March 31, 2022. The group had cash and bank balance of around Rs.0.26 Cr as on March 31, 2022. The fund based limit remains utilised at 81 per cent over six months ended June, 2022. The efficient working capital management of the company is marked by Gross Current Assets (GCA) of 66 days in FY2022 as compared to 156 days in FY2021. Going forward, Acuite believes the liquidity position of the group will be improve marked by enhanced net cash accruals.

Outlook: Stable

Acuite 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 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	987.06	597.98
PAT	Rs. Cr.	21.66	18.34
PAT Margin	(%)	2.19	3.07
Total Debt/Tangible Net Worth	Times	1.11	2.94
PBDIT/Interest	Times	4.46	5.29

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

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>
- Trading Entity: <https://www.acuite.in/view-rating-criteria-61.htm>
- 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>

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
09 Mar 2022	Cash Credit	Long Term	8.00	ACUITE BBB- Stable (Assigned)
	Proposed Bank Facility	Long Term	2.00	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
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE BBB- Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BBB- Stable Reaffirmed

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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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