Press Release

Purti Vanaspati Private Limited

March 02, 2023

Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	12.00	ACUITE BBB- | Stable | Assigned	-
Bank Loan Ratings	188.00	-	ACUITE A3 | Assigned
Total Outstanding Quantum (Rs. Cr)	200.00	-	-

Rating Rationale

Acuité has assigned the long term rating of **'ACUITE BBB-' (read as ACUITE triple B minus)** and short term rating of **A3 (read as ACUITE A three)** to the Rs.200.00 Cr bank facilities of Purti Vanaspati Private Limited .The outlook is **'Stable'.**

Rating Rationale

The ratings largely consider PVPL's long track record of operations, established market position in the east, and the promoters' extensive expertise in the edible oil refining industry. Furthermore, the ratings also takes into account the company's conservative capital structure, and coverage indicators that are expected to remain at comfortable levels in the medium term. However, the ratings are constrained by the stiff competitiveness prevalent in the edible oil refining industry, which restricts the pricing flexibility and affects PVPL's profit levels. The ratings account for fluctuations in foreign exchange rates in the absence of formal hedging mechanisms, and the susceptibility to volatility in raw material prices

About the Company

Purti Vanaspati Private Limited (PVPL) was incorporated in August 2008 by Purti-Pansari group of Kolkata. The company is engaged in refining and marketing of edible oil (palm, soybean, sunflower, rice bran, etc.), vanaspati and its by products. The company's plant is located in the Hooghly district of West Bengal, near Dankuni with an effective installed capacity of 45,000 MTPA. The company sells its product under the brand name of Purti, Pansari, etc. Prior to incorporation of PVPL, the group traded edible oils for over 30 years through group entities, and from 2002, it began refining edible oils through a group entity called Paceman Sales Promotion Pvt Ltd. (PSPL). The promoter opted to demerge the edible oil segment in August 2008 and move it to a new entity, i.e. PVPL, as PSPL was an NBFC firm.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of PVPL while arriving at the rating.

Key Rating Drivers

Strengths

Long standing experience of the promoters in the industry

Mr. Kishore Kumar Agarwal, CMD, looks after the day-to-day operation of the company along with a support from his family. Mr. Sajjan Kumar Agarwal (brother of Mr. Kishore Kumar Agarwal) handles the finance operation and Mr. Amit Agarwal (son of Mr. Kishore Kumar Agarwal) heads the marketing division and brand promotion. Prior to incorporation of PVPL, the group was engaged in trading of edible oil for more than three decades through various group entities and edible oil refining operation from 2002. The long standing experience of the promoters and long track record of operations has helped them to establish strong relationships with suppliers and customers; and has aided in the establishment of a widespread dealer network. Acuité derives comfort from the long experience of the management and believes this will benefit the company going forward, resulting in steady growth in the scale of operations.

Established brand image and increasing revenue profile

The company sells its products under the brand name Purti and Pansari. The Purti brand, which is mostly distributed in eastern states like West Bengal, Bihar, Orissa, and some regions of Assam, accounts for over 85% of the top line. The Pansari brand, which is well-known in Delhi and other northern Indian towns, contributes to around 15% of the company's income. PVPL has 270 authorised distributors spread across the country.

The operating revenue has increased from Rs. 271.11 crore in FY 2020 to Rs. 397.11 crore in FY 2022. The increase in sales is on account of steady capacity utilisation and rise in prices of products sold by the company. Revenue growth for PVPL includes the impact of raw material inflation. Acuite believes that the performance of the company is expected to remain steady over the medium term on account of its capacity utilization and the increasing trend in the prices of edible and non edible oils in the commodity market.

Healthy financial risk profile

The financial risk profile of the company is marked by moderate networth, very low gearing level and strong debt protection metrics. The tangible networth stood at Rs 61.76 crore as on 31st March, 2022 as compared to Rs 55.72 crore in FY2021. The gearing (debt-equity) stood comfortable at 0.18 times in FY 2022 as compared to 0.25 times in FY2021. Negligible debt levels have led to strong debt protection measures.The coverage indicators stood comfortable marked by Interest coverage ratio (ICR) which stood at 14.80 times for FY 2022 as compared to 14.65 times in FY 2021. Debt service coverage ratio (DSCR) stood at 11.90 times in FY 2022 as compared to 13.46 times in FY 2021. Net cash accruals to total debt (NCA/TD) stood at 0.95 times in FY 2022. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.85 times as on March 31, 2022 as against 1.28 times as on March 31, 2021.The Debt-EBITDA stood at 0.78 times in FY 2022. Acuité believes that going forward the financial risk profile of the company will improve backed by steady accruals and no major debt funded capex plans.

Weaknesses

Moderate working capital management

PVPL's operations are moderately working capital intensive marked by Gross Current Assets (GCA) of 100 days as on 31st March, 2022 and 80 days in FY2021 . The high GCA days also emanate from the high other current asset of Rs.56.31 crore as on 31st March, 2022 which mainly consists of short term loans and advances. The inventory and debtor days however stood at low levels. Acuité believes that the working capital operations of the group will remain at same level over the medium term given the nature of the industry.

Dependence on imported raw material & its price fluctuation

PVPL's business depends on the availability of reasonably priced and high quality raw materials. It sources certain raw materials from global suppliers. Predominantly, unrefined soybean oil is imported from Argentina and Brazil, unrefined sunflower oil from Ukraine and Russia, and palm oil from Indonesia and Malaysia. The price and availability of such raw materials depend on several factors beyond the company's control like production levels, market demand, trade restrictions as well as seasonal variations. PVPL also does not have long term supply contracts with any of its raw material suppliers and typically places orders with them in advance based on its anticipated requirements. Thus, the company is always at risk to procure raw materials and that too at reasonable prices.

Invocation of financial guarantee in the past
A corporate guarantee extended to one of its group companies had been invoked by one of their suppliers in FY2021. The amount of guarantee stood at Rs. 15 crore which reflected in the financial statements of FY2021. Since then, the company has refrained from extending any corporate guarantee to any of its group entities and is expected to continue the same stance going forward too.

Rating Sensitivities
Exposure to group companies
Significant improvement in scale of operations, while maintaining its profitability margins.
Elongation of working capital cycle

Material covenants
None

Liquidity Position
Adequate
The company's liquidity is adequate marked by net cash accruals stood at Rs 10.38 Cr as on March 31, 2022 as against no long term debt repayment over the same period. The cash and bank balances of the company stood at Rs. 23.82 Cr as on March 31, 2022 as compared to Rs. 5.46 Cr as on March 31, 2021. The company has unencumbered cash and bank balances of around Rs.18.52 as on 31st March, 2022 as compared to Rs. 2.2 Cr as on March 31, 2021.The current ratio stood at 1.27 times as on March 31, 2022. . The average fund-based working capital utilisation also remained NIL during the last 7 months till January 2023 with a credit balance in CC every month end. The company has generated positive fund flow from operations over the past few years. In view of adequate cash flow from operations, absence of long-term debt service obligations and cushion available in the fund-based limits. The company has FD of ~ Rs. 23.43 crore as on March 31, 2022, which provides further comfort to the liquidity position. PVPL's operations are moderately working capital intensive marked by Gross Current Assets (GCA) of 100 days as on 31st March, 2022 and 80 days in FY2021. Acuité believes that going forward the company will maintain adequate liquidity position due to steady accruals.

Outlook: Stable
Acuité believes that PVPL will maintain a 'Stable' outlook over the medium term on account of its strong financial risk profile and sound business profile. The outlook may be revised to 'Positive' in case of significant improvement in scale of operation along with maintenance of strong financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the liquidity or financial risk profile due to stretched receivables or in case of any significant support to group companies.

Other Factors affecting Rating
None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	397.11	320.15
PAT	Rs. Cr.	6.26	7.44
PAT Margin	(%)	1.58	2.32
Total Debt/Tangible Net Worth	Times	0.18	0.25
PBDIT/Interest	Times	14.80	1.81

Status of non-cooperation with previous CRA (if applicable)
None

Any other information
None

Applicable Criteria
- Default Recognition :- https://www.acuite.in/view-rating-criteria-52.htm
- Entities In Manufacturing Sector:- https://www.acuite.in/view-rating-criteria-59.htm
- Application Of Financial Ratios And Adjustments: https://www.acuite.in/view-rating-criteria-53.htm

Note on complexity levels of the rated instrument
In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite' s categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History:
Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
UCO Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	4.00	ACUITE BBB- | Stable | Assigned
Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	1.00	ACUITE BBB- | Stable | Assigned
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	4.00	ACUITE BBB- | Stable | Assigned
ICICI Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	3.00	ACUITE BBB- | Stable | Assigned
UCO Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	86.00	ACUITE A3 | Assigned
ICICI Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	42.00	ACUITE A3 | Assigned
HDFC Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	40.00	ACUITE A3 | Assigned
Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	20.00	ACUITE A3 | Assigned

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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.