Press Release
Purti Vanaspati Private Limited
May 30, 2024
Rating Reaffirmed

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

Rating Rationale
Acuité has reaffirmed the long-term rating of **'ACUITE BBB-' (read as ACUITE t riple B minus)** and short-term rating of **'ACUITE A3' (read as ACUITE A three)** to the Rs.200.00 Cr. bank facilities of Purti Vanaspati Private Limited. The outlook is **'Stable'.**

Rationale for Rating Reaffirmation
The rating reaffirmation is on account of the stable operating and financial performance of the company. The operating income of the company stood at Rs. 399.58 crore in FY2023 against Rs. 397.11 crore in FY2022. However, the PAT margin declined, standing at 1.26% in FY2023 as compared to 1.58% in FY2022. In 09MFY2024 revenues stood at Rs. 262.63 crore and is expected to close the year in the range of Rs. 340–360 crore in FY2024, with a marginal improvement in margin. 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 is promoted by Mr. Amit Agarwal and Mr. Kishore Kumar Agarwal 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.

Unsupported Rating
Not Applicable

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.

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 76.80 crore as on 31st March, 2023 as compared to Rs 71.76 crore as on 31st March, 2022. Negligible debt levels have led to strong debt protection measures. The coverage indicators stood comfortable marked by Interest coverage ratio (ICR) which stood at 4.80 times for FY 2023 as compared to 14.80 times in FY 2022. Debt service coverage ratio (DSCR) stood at 4.15 times in FY2023 as compared to 11.90 times in FY2022. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.48 times as on March 31, 2023 as against 1.45 times as on March 31, 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 as moderately working capital intensive nature of operations marked by Gross Current Assets (GCA) days of 98 days in FY2023 . This is majorly due to high inventory days . The company's inventory days stood at 51 days in FY2023 as against 20 days in FY2022. The debtor days stood at 25 days in FY2023 as against 07 days in FY2022. 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.

Rating Sensitivities

Exposure to group companies

Significant improvement in scale of operations, while maintaining its profitability margins.

Elongation of working capital cycle

Liquidity Position

Adequate

The company's liquidity is adequate marked by net cash accruals stood at Rs 9.23 Cr. as on March 31, 2023, as against no long-term debt repayment over the same period. The cash and bank balances of the company stood at Rs. 15.12 Cr. as on March 31, 2023, as compared to Rs. 23.82 Cr. as on March 31, 2022. The current ratio stood at 1.33 times as on March 31, 2023. The average fund-based working capital utilisation remained 5.29 % during the last 12 months till April 2024. 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. 43.47 crore as on March 31, 2023, which provides comfort to the liquidity position. PVPL's operations are moderately working capital intensive marked by Gross Current Assets (GCA) of 98 days as on March 31, 2023, as compared to 100 days as on March 31, 2022. 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 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	399.58	397.11
PAT	Rs. Cr.	5.04	6.26
PAT Margin	(%)	1.26	1.58
Total Debt/Tangible Net Worth	Times	0.00	0.01
PBDIT/Interest	Times	4.84	14.80

Status of non-cooperation with previous CRA (if applicable)
Not Applicable

Any other information
None

Applicable Criteria
• Default Recognition :- https://www.acuite.in/view-rating-criteria-52.htm
• Manufacturing Entities: 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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
02 Mar 2023	Cash Credit	Long Term	4.00	ACUITE BBB- | Stable (Assigned)
	Cash Credit	Long Term	1.00	ACUITE BBB- | Stable (Assigned)
	Cash Credit	Long Term	4.00	ACUITE BBB- | Stable (Assigned)
	Cash Credit	Long Term	3.00	ACUITE BBB- | Stable (Assigned)
	Letter of Credit	Short Term	86.00	ACUITE A3 (Assigned)
	Letter of Credit	Short Term	20.00	ACUITE A3 (Assigned)
	Letter of Credit	Short Term	40.00	ACUITE A3 (Assigned)
	Letter of Credit	Short Term	42.00	ACUITE A3 (Assigned)

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 avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	4.00	ACUITE BBB- | Stable | Reaffirmed
Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.00	ACUITE BBB- | Stable | Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	4.00	ACUITE BBB- | Stable | Reaffirmed
ICICI Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	3.00	ACUITE BBB- | Stable | Reaffirmed
UCO Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	86.00	ACUITE A3 | Reaffirmed
ICICI Bank Ltd	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	42.00	ACUITE A3 | Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	40.00	ACUITE A3 | Reaffirmed
Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	20.00	ACUITE A3 | 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.