



Press Release
PATEL RETAIL LIMITED (ERSTWHILE PATEL RETAIL PRIVATE LIMITED)
March 14, 2024
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	39.58	ACUITE BBB Stable Reaffirmed	-
Bank Loan Ratings	118.42	-	ACUITE A3+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	158.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) and the short term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) on the Rs.158.00 crore bank facilities of Patel Retail Limited (PRL)(ERSTWHILE PATEL RETAIL PRIVATE LIMITED). The outlook is '**Stable.**'

Rationale for rating reaffirmation

The rating reaffirmation takes into account PRL's improvement in operating and financial risk profile in FY2023. The turnover of the PRL stood at Rs.1018.44 Cr in FY2023 as against Rs.765.84 Cr in FY2022 with achieving growth of 33 percent in FY2023. However, in 10MFY2024 turnover moderated and stood at Rs.685.65 Cr. The decline in the turnover is due to changes in the sugar export policy by the government. EBITDA margin improved and stood at 4.22 percent for FY2023 as against 3.59 percent for FY2022. The net worth of the company has improved to Rs.100.53 Cr as on March 31, 2023 as against Rs.84.18 Cr as on March 31, 2022. The gearing (debt-equity) is stood at 1.56 times as on March 31, 2023 as against 1.76 times as on March 31, 2022. The rating also factors the efficient working capital operations and adequate liquidity position of the company.

The rating is however constrained by the agro climatic and government regulation risk and presence in the highly fragmented and competitive industry. The ability of PRL to improve its scale of operations and profitability margins in near to medium term will remain a key rating sensitivity factor.

About the Company

PRL incorporated in the year 2007 has around 32 supermarket stores in the central line of Mumbai. The supermarket stores operate under brand name of 'Patel R. Mart' and sells various kind of groceries, home & personal care, spices, oils, dry fruits, utensils among other essential as well as non-essential commodities. The warehouse is located in Ambarnath. PRL has two manufacturing units in Kachchh Gujarat, with multiple units dedicated to processing diverse agricultural commodities where it carries out processing of pulses, peanuts, cumin seeds, and coriander seeds among others. The operations of manufacturing unit 1 started in 2016 and manufacturing unit 2 started in 2022. Mr. Hiren Bechar Patel, Mr. Dhanji Raghavji Patel, Mr. Bechar Raghavaji Patel, Mr. Yashwant Suresh Bhojwani, Mr. Nitin Pandurang Patil and Mr. Harshini Vikas Jadhav are the directors of the company.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone financial and business risk profiles of PRL to arrive at the rating.

Key Rating Drivers

Strengths

Experienced management and established track record of operations.

PRL has an established track of operations of more than a decade. The company is promoted by Mr. Bechar Patel and Mr. Dhanji Patel, having an experience of over two decades in retail industry. The promoters are being supported by its team of experienced professionals in managing day to day operations of PRL. The extensive experience of the promoters has enabled PRL to establish a healthy relationship with its customers and suppliers in the exports market and expansion of its store network in the central line of Mumbai over the years. At present, PRL has 32 supermarket stores under its own brand 'Patel R. Mart' in close proximity to residential areas and railway stations in Mumbai.

The overall experience of the management has helped the company achieve revenue of Rs.1018.44 Cr in FY2023 and Rs.765.84 Cr. in FY2022 with reporting 33 percent of growth. The growth in the turnover is contributed by increase in the retail stores from 29 to 32 and set up of new processing units. EBITDA margin is improving YoY and stood at 4.22 percent as on FY2023 as against 3.59 percent as on FY2022. The improvement in the margins is due to backward integration by setting up of food processing units. The PAT margins of the PRL is stable with 1.60 per cent in FY2023 in comparison to 1.50 per cent in FY2022.

However, in 10MFY2024, PRL has reported Rs.685.65 Cr of the revenue, marginal decline in the turnover is due to restriction on sugar exports in FY2024. The operating margin improved and stood at 5.50% for 10MFY2024.

Acuité believes that PRL will continue to benefit from its experienced management and established track record of operations. Also, the ability of PRL to improve its scale of operations and profitability margins in near to medium term will remain a key rating sensitivity factor.

Moderate financial risk profile

The financial risk profile of PRL is moderate marked by improving networth, moderate gearing and debt protection metrics. The net worth of the company has improved to Rs.100.53 Cr as on March 31, 2023 as against Rs.84.18 Cr as on March 31, 2022 on account of healthy accretion to reserves. It also includes the amount of Rs.25.80 Cr as quasi equity since the unsecured loans from promoters/directors infused into the business are subordinated to bank borrowings. The gearing (debt-equity) is improving YoY and stood at 1.56 times as on March 31, 2023 as against 1.76 times as on March 31, 2022. The gearing of the company is expected to improve and remain low over the medium term due to expected improvement in the operating margins. The total debt of Rs.157.01 Cr as on March 31, 2023 consists of long term bank borrowings of Rs.9.47 Cr, short term bank borrowings of Rs.144.09 Cr and current maturities for long term debt of Rs.3.45 Cr. The debt – EBITDA ratio of company is improved and stood at 3.64 times as on March 31, 2023 as against 5.32 times as on March 31, 2022. TOL/TNW stood at 2.03 times as on March 31, 2023 as against 2.32 times as on March 31, 2022.

The debt protection metrics of the company is moderate with interest coverage ratio (ICR) marginally improved and stood at 3.49 times for FY2023 as against 3.28 times for FY2022 while the Debt Service Coverage Ratio (DSCR) improved and stood at 2.14 times for FY2023 as against 1.33 times for FY2022. The Net Cash Accruals to Total debt stood at of 0.16 times for FY2023 and 0.10 times for FY2022.

Acuité believes that the financial risk profile of PRPL will remain moderate over the medium term on account of its moderate debt levels vis-à-vis improving tangible net worth and moderate debt protection metrics.

Efficient working capital operations

The working capital operations of PRL are efficient in nature marked by its improved Gross Current Assets (GCA) of 83 days for FY2023 as against 92 days for FY2022 on account of moderate improvement in receivables days and other current assets during the same period. The receivables days stood at 39 days for FY2023 and 42 days for FY2022. The inventory days stood low at 29 days as on March 31, 2023 as against 27 days as on March 31, 2022. Further,

the creditors stood at the range of 18-12 days for the period of FY2023 – FY2022.

The company purchases agro products from the farmers and local mandis (during off season) of various states like Gujarat, Kerala, Tamil Nadu and Madhya Pradesh among others. Credit term with the farmers is upfront and around 10 to 30 day's credit to wholesaler. The agro products are processed in the warehouse centre (1,00,000 sq. ft.) situated in Ambernath. The credit term offered to customer is up to 30 days.

Acuite believes that the working capital operation of the PRL will continue to efficient owing to nature of business operations.

Weaknesses

Agro climatic and government regulation risk

PRL is transforming from marketing and selling of products to processing of products by its own through its new agro processing facility at Dhudai, Gujarat. The products include agro commodities and its availability is totally dependent on monsoon and climatic conditions. This exposes PRL to the risk of raw material availability at the implementation time and may have impact on operations.

PRL like any other agro exporting business, is susceptible to government regulations such as ban on sugar, rice etc exports and removal of export incentives.

However, Acuite believes that promoters' experience and established presence of the company in the industry would reduce such risk to some extent.

Highly fragmented and competitive industry

The Indian retail industry is fragmented with presence of large number of organised players, E-retailers and funding from foreign players has boosted entry of new players. PRL would face high competition from the existing retailers and new entrants, both organised and unorganized, thereby impacting pricing power. Further, slowdown in footfall amid competitive factors will hurt the overall financial risk profile and liquidity of the company.

Rating Sensitivities

- Ability to improve scale of operations and profitability margins.
- Ability to improve the financial risk profile of the company.
- Any significant elongations in working capital cycle leading to deterioration in liquidity position or financial risk profile.

Liquidity Position: Adequate

PRL has adequate liquidity position marked by adequate net cash accruals (NCA) to its maturing debt obligations. The company generated cash accruals of Rs.25.68 Cr during FY2023 as against its repayment obligation of Rs.5.42 Cr during the same period. Going forward the NCA are expected in the range of Rs.26.10 – 43.92 Cr for period FY2024-FY2026 against its repayment obligation in the range of Rs.3 Cr for the same period.

The working capital operations of the company are efficient in nature marked by its gross current asset (GCA) days of 83 days for FY2023 as against 92 days for FY2022 on account of improvement in receivables days during the same period. The average bank limit utilization for 5 months' period ended January 2023 stood moderately high at ~88.70 percent. Current ratio stands at 1.20 times as on 31 March 2023. The company has maintained cash & bank balance of Rs.1.20 Cr in FY2023.

Acuite believes that liquidity profile of PRL will continue to be adequate owing no further debt borrowings by the company.

Outlook: Stable

Acuite believes that PRL will maintain 'Stable' outlook over the medium term on account of its experienced management with established track record of operations and moderate financial risk profile. The outlook may be revised to 'Positive' in case of significant and sustained growth in revenue and profitability while effectively managing its working capital cycle and keeping the debt levels moderate. Conversely, the outlook may be revised to 'Negative' in case of lower than expected growth in revenue or deterioration in the financial and liquidity profile most likely as a result of higher than envisaged working capital

requirements.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	1018.44	765.84
PAT	Rs. Cr.	16.29	11.48
PAT Margin	(%)	1.60	1.50
Total Debt/Tangible Net Worth	Times	1.56	1.76
PBDIT/Interest	Times	3.49	3.28

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>
- Entities In Manufacturing Sector:- <https://www.acuite.in/view-rating-criteria-59.htm>
- Trading Entitie: <https://www.acuite.in/view-rating-criteria-61.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, Acuite 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
15 Dec 2022	Bank Guarantee (BLR)	Short Term	1.00	ACUITE A3+ (Reaffirmed)
	Bills Discounting	Short Term	5.00	ACUITE A3+ (Assigned)
	Cash Credit	Long Term	8.50	ACUITE BBB Stable (Reaffirmed)
	PC/PCFC	Short Term	23.00	ACUITE A3+ (Assigned)
	PC/PCFC	Short Term	15.00	ACUITE A3+ (Reaffirmed)
	Post Shipment Credit	Short Term	2.00	ACUITE A3+ (Reaffirmed)
	Post Shipment Credit	Short Term	5.00	ACUITE A3+ (Reaffirmed)
	Post Shipment Credit	Short Term	41.70	ACUITE A3+ (Reaffirmed)
	Post Shipment Credit	Short Term	15.00	ACUITE A3+ (Assigned)
	Secured Overdraft	Long Term	10.00	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	15.00	ACUITE BBB Stable (Assigned)
	Term Loan	Long Term	1.04	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	0.21	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	1.00	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	0.72	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	4.61	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	0.72	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	0.36	ACUITE BBB Stable (Reaffirmed)
	Working Capital Demand Loan (WC DL)	Long Term	8.14	ACUITE BBB Stable (Reaffirmed)
16 Sep	Bank Guarantee (BLR)	Short Term	1.00	ACUITE A3+ (Reaffirmed)
	Cash Credit	Long Term	8.50	ACUITE BBB Stable (Reaffirmed)
	PC/PCFC	Short Term	15.00	ACUITE A3+ (Reaffirmed)
	Post Shipment Credit	Short Term	5.00	ACUITE A3+ (Reaffirmed)
	Post Shipment Credit	Short Term	2.00	ACUITE A3+ (Reaffirmed)
	Post Shipment Credit	Short Term	41.70	ACUITE A3+ (Reaffirmed)
	Secured Overdraft	Long Term	10.00	ACUITE BBB Stable (Reaffirmed)
		Long		ACUITE BBB Stable

2021	Term Loan	Term	4.61	(Reaffirmed)
	Term Loan	Long Term	0.72	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	1.00	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	0.21	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	1.04	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	0.36	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	0.72	ACUITE BBB Stable (Reaffirmed)
	Working Capital Demand Loan (WCDL)	Long Term	8.14	ACUITE BBB Stable (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
HDFC Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.00	ACUITE A3+ Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	8.50	ACUITE BBB Stable Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	PC/PCFC	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	38.72	ACUITE A3+ Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Post Shipment Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.00	ACUITE A3+ Reaffirmed
Yes Bank Ltd	Not avl. / Not appl.	Post Shipment Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	76.70	ACUITE A3+ Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Term Loan	17 Jun 2023	Not avl. / Not appl.	16 Jun 2024	Simple	22.58	ACUITE BBB Stable Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Working Capital Demand Loan (WC DL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	8.50	ACUITE BBB Stable Reaffirmed

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About Acuité Ratings & Research

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