

Press Release

PBI India Private Limited

April 18, 2017

Rating Assigned and Reaffirmed

Total Bank Facilities Rated	Rs. 32.75 crore (Enhanced from Rs.24.00 crore)
Long Term Rating	SMERA BBB/Stable (Assigned and Reaffirmed)

**Refer Annexure for details*

SMERA has reaffirmed the long term rating of '**SMERA BBB**' (read as SMERA triple B) on its existing bank facility of Rs.24.00 and assigned rating of '**SMERA BBB**' (read as SMERA triple B) on Rs.8.75 cr of PBI India Private Limited (PIPL). The outlook is '**Stable**'.

PBI India Private Limited (PIPL) runs a flour mill at Jammu and sells wheat and wheat products in Jammu & Kashmir and Punjab. The company, promoted by Mr. A. K. Puri, Mr. Sanjay Puri and Mrs. Anjali Puri has installed capacity of ~103000 quintals per month.

List of key rating drivers and their detailed description:

Strengths

Extensive experience of the promoter

PIPL was incorporated in 1980 by Mr. A. K. Puri, Mr. Sanjay Puri and Mrs. Anjali Puri who possess experience of over three decades in the aforementioned business. This has helped establish long term relations with customers and suppliers. PIPL purchases its raw materials like wheat from Food Corporation of India (FCI) and other raw materials like split chickpeas (chana dal) for besan from local farmers in Punjab. The company sells its products mainly to local wholesalers.

Moderate financial risk profile

The financial risk profile of the company is moderate marked by gearing of 1.11 times as on March 31, 2016 as compared to 0.50 as on March 31, 2015. This was on account of enhancement in working capital facility. The interest coverage ratio stood at 2.68 times in FY2016 as against 8.30 in FY2015. PIPL registered DSCR of 2.24 times in FY2016 as against 6.29 in FY2015. The net worth stood at Rs. 22.12 cr as on March 31, 2016 compared to Rs. 20.69 cr in the previous year.

Established brand and diversified product portfolio

The company manufactures aata, bran, maida, sooji, besan and dalia and sells the same under the 'P-Mark' brand name in Jammu & Kashmir and Punjab.

Healthy revenue growth

PIPL booked revenue of Rs. 150.85 cr in FY2016 compared to Rs. 117.60 cr in FY2015. Till December 2016, the company booked revenue of Rs. 136.00 cr (Provisional). PIPL has grown at a CAGR of 25 percent from FY2014 to FY2016.

Efficient working capital cycle

The working capital intensity of the company is low marked by low inventory of 30 days as on March 31, 2016 as compared to 36 days in the previous year. Debtors has marginally increased and stood at 50 days for FY2016 as against 24 days in FY2015. The increase in debtors is mainly on account of sale of goods in bulk to traders in Ladakh. The creditors stood constant at 2 days for the past three years as PIPL buys its raw materials mainly in cash. The working capital cycle of the company stood at 80 days in FY2016.

Weaknesses

Exposure to agro climatic risks

The company is exposed to agro climatic risks. The production of wheat mainly depends on agro climatic conditions and any change in the same may interrupt the supply of wheat.

Susceptible to fluctuations in raw material prices

The profit margins are susceptible to fluctuations in the prices of wheat - the main raw material which constitutes almost 90 percent of the total cost.

Outlook-Stable

SMERA believes that PIPL will maintain a stable outlook owing to the extensive experience of its promoters. The outlook may be revised to 'Positive' if the company improves on its overall gearing or scales up operations with improvement in profitability margins. Conversely, the outlook may be revised to 'Negative' in case of additional working capital borrowings leading to deterioration in the overall gearing or weakening of profitability margins.

About the Rated Entity

The company reported profit after tax (PAT) of Rs. 1.43 cr on net sales of Rs. 150.85 cr in FY2016 as against PAT of Rs.3.15 cr on net sales of Rs.117.60 cr in FY2015. The net worth stood at Rs. 22.12 cr as on March 31, 2016 compared to Rs. 20.69 cr as on March 31, 2015.

Applicable Criteria

- Manufacturing entities- <https://www.smera.in/criteria-manufacturing.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

Note on complexity levels of the rated instrument:

<https://www.smera.in/criteria-complexity-levels.htm>

Status of non-cooperation with previous CRA: None

Any other information: None

Rating History for the last three years:

Name of Instrument /Facilities	FY2017			FY2017		FY2016		FY2015	
	Scale	Amount (Rs. Cr)	Rating with Outlook	Date	Rating	Date	Rating	Date	Rating
Term Loan	LT	2.75	SMERA BBB/ Stable (Reaffirmed)	26 April 2016	SMERA BBB/ Stable (Reaffirmed)	07 May 2015	SMERA BBB/ Stable (Assigned)	-	-
Cash Credit	LT	21.25 [#]	SMERA BBB/ Stable (Reaffirmed)	26 April 2016	SMERA BBB/ Stable (Reaffirmed)	07 May 2015	SMERA BBB/ Stable (Reaffirmed)	09 April 2014	SMERA BBB/ Stable (Assigned)
Proposed Cash Credit	LT	8.75	SMERA BBB/ Stable (Assigned)	-	-	-	-	-	-

[#]the initial cash credit amount was Rs.5.50 cr which was enhanced to Rs.16.50 cr in FY2016 and further to Rs.21.25 cr in FY2017.

***Annexure - Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/ Outlook
Term Loan	N.A.	N.A.	March 2021	2.75	SMERA BBB/ Stable (Reaffirmed)
Cash Credit	N.A.	N.A.	N.A.	21.25 [#]	SMERA BBB/ Stable (Reaffirmed)
Proposed Cash Credit	N.A.	N.A.	N.A.	8.75	SMERA BBB/ Stable (Assigned)

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ABOUT SMERA

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