

Press Release
PBI India Private Limited

July 06, 2018



Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 32.75 Cr.
Long Term Rating	ACUITE BBB / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) on the Rs.32.75 crore bank facilities 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 ~108000 quintals per month.

Key Rating Drivers

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 riskprofile**

The financial risk profile of PIPL is moderate marked by net worth of Rs.23.81 crore as on 31 March, 2017 as against Rs.22.12 crore as on 31 March, 2016. Gearing (debt-equity) stood at 0.82 times as on 31 March, 2017 as against 1.11 times in the previous year. The total debt as on 31 March, 2017 of Rs.19.53 crores comprises of term loan of Rs.2.10 crore and working capital facility of Rs.17.42 crore. Interest coverage ratio stood at 2.80 times for FY2017 as against 2.68 times for FY2016. DSCR stood at 2.44 times for FY2017 as against 2.24 times for FY2016. TOL/TNW stood at 1.05 times as on 31 March, 2017 as against 1.35 times in the previous year.

Acuité believes the financial risk profile of the company will remain moderate in absence of any major debt funded capex and moderate net cash accruals.

• **Established brand and diversified product portfolio**

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

• **Efficient working capital cycle**

The working capital intensity of the company is low marked by low inventory of 9 days as on March 31, 2017 as compared to 30 days in the previous year. Debtors stood at 48 days for FY2017. The creditors stood constant at 2-3 days for the past three years as PIPL buys its raw materials mainly in cash. The working capital cycle of the company stood at 54 days in FY2017. The average cash credit utilisation for last six months ending May 2018 stood at ~85 per cent.

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.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the PIPL to arrive at this rating.

Outlook: Stable

Acuité 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 - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	183.41	150.85	117.60
EBITDA	Rs. Cr.	6.00	4.67	6.31
PAT	Rs. Cr.	1.69	1.43	3.15
EBITDA Margin	(%)	3.27	3.10	5.36
PAT Margin	(%)	0.92	0.95	2.68
ROCE	(%)	10.44	10.64	19.99
Total Debt/Tangible Net Worth	Times	0.82	1.11	0.50
PBDIT/Interest	Times	2.80	2.68	8.30
Total Debt/PBDIT	Times	3.15	4.88	1.59
Gross Current Assets (Days)	Days	62	89	71

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
18-Apr-17	Term Loan	Long Term	2.75	ACUITE BBB / Stable (Reaffirmed)
	Cash Credit	Long Term	21.25	ACUITE BBB / Stable (Reaffirmed)
	Proposed Cash Credit	Long Term	8.75	ACUITE BBB / Stable (Assigned)
26-Apr-16	Term Loan	Long Term	2.75	ACUITE BBB / Stable (Reaffirmed)
	Cash Credit	Long Term	21.75	ACUITE BBB / Stable (Reaffirmed)
07-May-15	Term Loan	Long Term	2.75	ACUITE BBB / Stable (Reaffirmed)
	Cash Credit	Long Term	16.50	ACUITE BBB / Stable (Reaffirmed)
09-Apr-14	Cash Credit	Long Term	5.50	ACUITE BBB / Stable (Assigned)

***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	Not Applicable	Not Applicable	Not Applicable	1.63	ACUITE BBB / Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	24.00	ACUITE BBB / Stable (Reaffirmed)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.12	ACUITE BBB / Stable (Reaffirmed)

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About Acuité Ratings & Research:

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