

Press Release

PBI India Private Limited

October 04, 2021

Rating Upgraded, Withdrawn



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

* Refer Annexure for details

Rating Rationale

Acuite has upgraded the long-term rating to '**ACUITE BBB**' (read as **ACUITE triple B**) from '**ACUITE BB+**' (read as **ACUITE double B plus**) on the Rs.32.75 crore bank facilities of PBI India Private Limited (PIPL). The outlook is '**Stable**'.

Rationale for Rating Upgradation

The rationale behind upgrade is sustained business risk profile with slight improvement in profitability margins, healthy financial risk profile, working capital efficient nature of operations and adequate liquidity position.

About the Company

Incorporated in 1980, 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 MT per month.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of PIPL to arrive at the rating.

Key Rating Drivers

Strengths

- Experienced management and established track record of operations**

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.

Acuite believes that PIPL will continue to leverage the experience of its management in order to continue developing healthy relationships with its customers and suppliers.

- 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.

- Healthy financial risk profile**

PIPL has healthy financial risk profile marked by moderate net worth, and healthy debt protection metrics. The net worth of the company stood at Rs. 27.63 crore as on March 31, 2020 as against Rs. 25.37 crore as on March 31, 2019, owing to healthy accretion to reserves due to moderate profitability. Gearing levels (debt-to-equity) stood at 0.73 times as on March 31, 2020 as against 1.24 times as on March 31, 2019. Further, the interest coverage ratio stood at 3.22 times for FY2020 as compared to 2.39 times for FY2019. Total outside liabilities to total net worth (TOL/TNW) stood at 1.20 times as on March 31, 2020 vis-à-vis 1.64 times as on March 31, 2019. Acuite believes that financial risk profile of the company is likely to remain healthy over the medium term on account of moderate net worth and debt protection metrics.

- **Efficient working capital management**

The company has working capital efficient nature of operations and has observed improvement as compared to previous year as evident from gross current assets (GCA) of 39 days for FY2020 as against 52 days for FY2019. Debtors' days stood at 26 days for FY2020 as against 20 days in the previous year, while inventory days stood at 9 days as against 26 days for FY2019. Further, current ratio of the company stood at 1.10 times for FY2020. Hence, the reliance on working capital borrowings is moderate which is evident from the average bank limit utilisation of ~44 percent for the past 5 months ended August, 2021.

Weaknesses

- **Moderate profitability**

The company has comfortable scale of operations. However, the profitability margins are moderate marked by an EBITDA margin of 3.30 percent in FY2020 as against 2.73 percent in FY2019. Further, the company operates in a highly competitive and fragmented nature of industry and faces tough competition from various organized and unorganized players which could impact the bargaining power with the customers and hence, the margins.

- **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.

- **Susceptibility to fluctuation in raw material prices**

The food processing industry is exposed to agro-climatic risks, which might affect the availability of the raw materials in adverse weather conditions. 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.

Rating Sensitivities

- Significant weakening of operating performance
- Substantial debt-funded capital expenditure

Material Covenants

None

Liquidity Position – Adequate

Liquidity of the company is adequate on account of healthy cash accruals to maturing debt service obligations over the same period. Cash accruals also provide sufficient liquidity buffer to support incremental working capital operations to an extent. In addition to this, the company has Rs. 1.44 crore of unencumbered cash and bank balances as on March 31, 2020, lending adequate financial flexibility. This has also resulted in lower reliance on bank limit utilization at an average of 44 per cent during the last five months ending August 2021. Acuite believes that the liquidity of the company is likely to remain adequate over the medium term on account of healthy operational cash accruals and absence of any significant debt over the medium term.

Outlook: Stable

Acuite believes that company's operations are expected to improve over the medium term on the back of promoters' extensive experience in the industry, improvement in operational efficiency and consequently improvement in business as well as financial risk profile. The outlook may be revised to 'Positive' in case the company registers higher -than-expected growth in revenues and profitability or in case of improvement in the company's financial risk profile or significant improvement in working capital cycle. The outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability or in case of deterioration in the company's financial risk profile or significant elongation in working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	288.34	244.15
PAT	Rs. Cr.	2.27	0.41
PAT Margin	(%)	0.79	0.17
Total Debt/Tangible Net Worth	Times	0.73	1.24
PBDIT/Interest	Times	3.22	2.39

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>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
17-Nov-2020	Cash Credit	Long Term	24.00	ACUITE BB+ (Downgraded; Issuer not co-operating)
	Term Loan	Long Term	0.15	ACUITE BB+ (Downgraded; Issuer not co-operating)
	Term Loan	Long Term	1.48	ACUITE BB+ (Downgraded; Issuer not co-operating)
	Stand-by line of credit	Long Term	3.60	ACUITE BB+ (Downgraded; Issuer not co-operating)
	Proposed cash credit	Long Term	3.52	ACUITE BB+ (Downgraded; Issuer not co-operating)
06-Sept-2019	Cash Credit	Long Term	24.00	ACUITE BBB/ Negative (Reaffirmed & outlook revised)
	Term Loan	Long Term	1.63	ACUITE BBB/ Negative (Reaffirmed & outlook revised)
	Stand-by line of credit	Long Term	3.60	ACUITE BBB/ Negative (Reaffirmed & outlook revised)
	Proposed cash credit	Long Term	3.52	ACUITE BBB/ Negative (Reaffirmed & outlook revised)
06-Jul-2018	Cash Credit	Long Term	24.00	ACUITE BBB/ Stable (Reaffirmed)
	Term Loan	Long Term	1.63	ACUITE BBB/ Stable (Reaffirmed)
	Proposed cash credit	Long Term	7.12	ACUITE BBB/ Stable (Reaffirmed)

*Annexure – Details of instruments rated

Lender Name	Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
State Bank of India	Cash Credit	Not Applicable	Not Applicable	Not Applicable	27.65	ACUITE BBB/ Stable (Upgraded)
State Bank of India	Stand-by line of credit	Not Applicable	Not Applicable	Not Applicable	3.60	ACUITE BBB/ Stable (Upgraded)
State Bank of India	Term Loan	Not Available	Not Available	Not Available	1.50	ACUITE BBB/ Stable (Upgraded)
Not Applicable	Proposed cash credit	Not Applicable	Not Applicable	Not Applicable	3.52	ACUITE BBB (Upgraded & Withdrawn)

Contacts

Analytical	Rating Desk
<p>Aditya Gupta Vice President- Corporate and Infrastructure Sector Tel: 022-49294041 aditya.gupta@acuite.in</p> <p>Charu Mahajan Senior Analyst - Rating Operations Tel: 011-49731313 charu.mahajan@acuite.in</p>	<p>Varsha Bist Senior Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in</p>

About Acuité Ratings & Research:

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