

Press Release

PBI India Private Limited

April 20, 2022



Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	32.75	ACUITE BBB Stable Reaffirmed	-
Bank Loan Ratings	56.80	ACUITE BBB Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	89.55	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed and assigned the long term rating of '**ACUITE BBB**' (read as ACUITE triple B) to the Rs. 89.55 Cr bank facilities of PBI India Private Limited (PIPL). The outlook remains '**Stable**'.

The rating on PIPL takes into account the sound business position of the company as reflected from its growing revenue trend in current year coupled with management's long track record in the sector, healthy financial profile characterized by strong debt protection metrics and moderate network base. The rating also draws comfort from the adequate liquidity position of the company. These strengths are however, partly offset by the vulnerability of the margins to the volatility in commodity (wheat) prices and geographical concentration. The ratings are further impacted by the intensely competitive industry structure, which restricts the pricing and exerts pressure on the margins. Also, being in the food industry, quality and reputation risks remain high.

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 an installed capacity of ~1320000 Quintals per annum. The company manufactures flour and flour products such as atta, bran, maida, sooji, besan and dalia and sells the same under the 'P-Mark' brand name in Jammu & Kashmir and Punjab. It also provides Tanker transportation services for Indian Oil Private Limited, carrying the petroleum products.

Analytical Approach

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

Key Rating Drivers

Strengths

Long track record of operations and experienced management

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

Sound business risk profile

The company has witnessed an improvement in its scale of operations marked by its revenues of Rs. 299.09 Cr in FY2021 as against Rs. 288.34 Cr in FY2020. The growth in sales in FY21 over FY 20 is mainly attributable to increase in demand of wheat products during the lockdown. Despite the disruptions caused by the covid induced lockdown in FY 21, there was an increase in sales in terms of volume in FY 21. The healthy performance continued in FY2022 with the company posting an operating income of Rs. 329.60 Cr till March 2022(Provisional).

The operating margin rose to 7.12 per cent in FY2021 from 3.30 per cent in FY2020. The PAT margin of the company increased to 4.06 per cent in FY2021 from 0.79 per cent in FY2020. The increase in profitability margins translated into healthy Return on Capital Employed (ROCE) of the company, which stood at 23.58 per cent as on March 31, 2021 as compared to 12.35 per cent as on March 31, 2020. In FY2021, there was growth in profitability margins, primarily on account of high demand and variable cost reduction through operational efficiencies in production processes. Despite a buoyancy in realisations in current year, Acuité expects a significant increase in raw material prices (wheat) is likely to limit the margin expansion to some extent for FY22, since raw material costs account for ~85 per cent of total production cost, even a slight variation in rates of raw materials drastically impacts the profitability.

Healthy financial risk profile

The company's healthy financial risk profile is marked by moderate net worth, modest gearing and robust debt protection metrics. The tangible net worth of the company improved to Rs.40.18 Cr as on March 31, 2021 from Rs. 27.63 Cr as on March 31, 2020, on account of capital infusion as well as ploughing back of profits. Gearing of the company increased to 1.59 as on March 31, 2021 as compared to 0.73 as on March 31, 2020, mainly led by increasing reliance on external debt to support the working capital requirements largely through warehouse receipts financing and guaranteed emergency credit line (GECL) availed towards the end of FY2021. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 2.04 times as on March 31, 2021 as against 1.20 time as on March 31, 2020. The strong debt protection metrics of the company is marked by Interest Coverage Ratio (ICR) at 12.48 times in FY 2021 as against 3.22 times in FY 2020; and Debt Service Coverage Ratio (DSCR) at 10.19 times in FY 2021 as against 2.82 times in FY 2020. The surge in earnings in FY2021 led to an improvement in the credit metrics. Net Cash Accruals/Total Debt (NCA/TD) stood low at 0.25 times as on March 31, 2021. Acuité believes that going forward, even though PIPL is expected to incur debt-funded capex to expand its presence by setting up a new plant in FY23, the financial risk profile of the company will remain healthy, as backed by steady accruals and support from the promoters. However, Acuité will monitor the credit profile in case of a sizeable debt-funded capex.

Weaknesses

Moderate working capital management

The moderate working capital management of the company is marked by comfortable Gross Current Assets (GCA) of 85 days in as on March 31, 2021 as compared to 39 days as on

March 31, 2020. Relatively higher GCA days as on March 31, 2021 were primarily on account of the increase in the inventory holding level of 62 days as on March 31, 2021 as against 9 days as on March 31, 2020. Hence, the working capital borrowing rose mainly due to higher inventory holding by the company on the back of increased demand and transit time driven by logistical challenges and higher stocking of raw materials and finished goods to prevent supply chain disruption amid the evolving Covid-19 scenario. However, the debtor days continue to remain low at 21 days as on March 31, 2021 as against 26 days as on 31st March 2020. Acuité believes that the working capital operations of the firm will remain almost at the same levels as evident from efficient collection mechanism and low inventory levels over the medium term.

Susceptibility to volatility in availability and prices of raw materials

Wheat production is exposed to agro-climatic risks such as quality of raw material availability and pricing. This can lead to volatility in margins for the company as it stocks around two months of inventory. Moreover, any change in Government regulations like minimum support price (MSP), adverse development on import policies, and export ban from overseas markets can also have a bearing on the performance of all industry players, including PIPL. This is also mitigated to an extent as the company is able to pass on the fluctuations in raw material prices albeit with a time-lag. The prices of the raw materials are impacted by global demand and are linked to global wheat prices, making them highly volatile. Moreover, due to the ongoing Russia-Ukraine crisis the impact of price hike in wheat would be the sharpest and have a direct effect on inflation at the retail as well as wholesale level.

Rating Sensitivities

- Growth in revenue along with improvement in profitability margins
- Elongation in working capital management
- Improvement in capital structure

Material covenants

None

Liquidity Position: Adequate

Liquidity of the company is adequate on account of healthy cash accruals of Rs.16.02 Cr to support the maturing debt service obligations over the same period. Cash accruals also provide sufficient liquidity buffer to support incremental working capital operations to an extent. Further, the company has Rs. 0.95 crore of unencumbered cash and bank balances as on March 31, 2021. The fund based limit remains moderately utilised at ~78 per cent over the six months ended March, 2022. The working capital management of the company is satisfactory as reflected by Gross Current Assets (GCA) of 85 days as on March 31, 2021 as against 39 days as on March 31, 2020. However, the current ratio also stood low at 1.01 times as on March 31, 2021. Acuité believes that going forward the company will continue to maintain adequate liquidity position owing to steady accruals.

Outlook: Stable

Acuité believes that PIPL will maintain a 'Stable' outlook and continue to benefit over the medium term from the extensive experience of its promoters. The outlook may be revised to 'Positive' in case of substantial increase in revenue and profitability. Conversely, the outlook may be revised to 'Negative' in case of decline in revenue and profitability or stretch in working capital cycle, weakening the overall financial risk profile.

Other Factors affecting Rating

Not Applicable

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	299.09	288.34
PAT	Rs. Cr.	12.15	2.27
PAT Margin	(%)	4.06	0.79
Total Debt/Tangible Net Worth	Times	1.59	0.73
PBDIT/Interest	Times	12.48	3.22

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

Not Applicable

Any other information

Not Applicable

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

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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
04 Oct 2021	Standby Line of Credit	Long Term	3.60	ACUITE BBB Stable (Upgraded from ACUITE BB+)
	Term Loan	Long Term	1.50	ACUITE BBB Stable (Upgraded from ACUITE BB+)
	Proposed Cash Credit	Long Term	3.52	ACUITE BBB (Withdrawn)
	Cash Credit	Long Term	27.65	ACUITE BBB Stable (Upgraded from ACUITE BB+)
17 Nov 2020	Term Loan	Long Term	1.48	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Standby Line of Credit	Long Term	3.60	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Proposed Cash Credit	Long Term	3.52	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	0.15	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Cash Credit	Long Term	24.00	ACUITE BB+ (Downgraded and Issuer not co-operating*)
06 Sep 2019	Standby Line of Credit	Long Term	3.60	ACUITE BBB Negative (Reaffirmed)
	Proposed Cash Credit	Long Term	3.52	ACUITE BBB Negative (Reaffirmed)
	Term Loan	Long Term	1.63	ACUITE BBB Negative (Reaffirmed)
	Cash Credit	Long Term	24.00	ACUITE BBB Negative (Reaffirmed)
06 Jul 2018	Proposed Cash Credit	Long Term	7.12	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	24.00	ACUITE BBB Stable (Reaffirmed)

	Term Loan	Long Term	1.63	ACUITE BBB Stable (Reaffirmed)
18 Apr 2017	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 2016	Cash Credit	Long Term	21.25	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	2.75	ACUITE BBB Stable (Reaffirmed)
07 May 2015	Cash Credit	Long Term	16.50	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	2.75	ACUITE BBB Stable (Reaffirmed)
09 Apr 2014	Cash Credit	Long Term	5.50	ACUITE BBB Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	27.65	ACUITE BBB Stable Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.35	ACUITE BBB Stable Assigned
State Bank of India	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	5.45	ACUITE BBB Stable Assigned
State Bank of India	Not Applicable	Stand By Line of Credit	Not Applicable	Not Applicable	Not Applicable	3.60	ACUITE BBB Stable Reaffirmed
State Bank of India	Not Applicable	Term Loan	Not available	7.75	Not available	1.50	ACUITE BBB Stable Reaffirmed
State Bank of India	Not Applicable	Warehouse Receipt Financing	Not Applicable	Not Applicable	Not Applicable	50.00	ACUITE BBB Stable Assigned

Contacts

Analytical	Rating Desk
Pooja Ghosh Head-Rating Operations Tel: 022-49294041 pooja.ghosh@acuite.in Srijita Chatterjee Analyst-Rating Operations Tel: 022-49294065 srijita.chatterjee@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

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.

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