



Press Release
PBI India Private Limited
November 09, 2023
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	99.41	ACUITE BBB Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	99.41	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) on Rs. 99.41 Cr. bank facilities of PBI India Private Limited (PIPL). The outlook remains '**Stable**'.

Rationale for rating re-affirmation

The reaffirmation of rating takes into consideration PIPL's stable operating and financial performance as reflected by its growing revenue and moderate financial risk profile. PIPL's revenue grew to Rs.377 Cr. in FY2023(Prov) from Rs.333 Cr. in FY2022 which was led by higher price realisations and ~4% decline in sale volumes. The profitability margins marked a moderating trend since FY2021 and declined from 7.12% in FY2021 to 4.36% in FY2023(Prov) on account of high inflation in wheat prices and PIPL's limited ability to effectively pass on the burden of price increase to end customers.

The gearing levels of the company stood healthy at 1.28 times in FY2023(Prov) against 1.01 times in the previous fiscal. PIPL is in advance stages of completion of ongoing capex for capacity addition of (15,60,000 Qtl/annum) towards set-up of new flour mill. The benefits from the same are expected to flow in over the medium term.

The rating also draws comfort from the adequate liquidity position of the company and efficient working capital management. 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.

Going ahead, PIPL's ability to augment the scale of operations in commensurate to the recent capacity addition while improving profitability along with efficient working capital operations and healthy financial risk profile, will remain key monitorable.

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. Sanjay Puri, Mrs. Anjali Puri, Mr. Archit Puri and Mr. Shubham Puri has an installed capacity of ~1422166 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 Limited, carrying the petroleum products.

Unsupported Rating

None

Analytical Approach

Acuité 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. Presently managed by Mr. Sanjay Puri, Mrs. Anjali Puri, Mr. Archit Puri and Mr. Shubham Puri who collectively 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.

Moderate financial risk profile

The company's financial risk profile is marked by moderate net worth, healthy gearing, and debt protection metrics. The tangible net worth of the company increased to Rs.55.11 Cr as on March 31, 2023 (Prov) from Rs. 47.89 Cr as on March 31, 2022, on account of accretion of profits to reserves. Gearing of the company stood at 1.28 times as on March 31, 2023 (Prov) as compared to 1.01 times as on March 31, 2022. The company benefits from the financial support extended by the promoters through unsecured loans. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.42 times as on March 31, 2023 (Prov) as against 1.17 times as on March 31, 2022. The debt indicators remained in similar range as in previous fiscal. Interest Coverage Ratio (ICR) stood at 4.58 times in FY 2023 (Prov) as against 4.52 times in FY 2022 and Debt Service Coverage Ratio (DSCR) at 2.32 times in FY 2023(Prov) as against 1.91 times in FY 2022. Further, company has undertaken debt funded capex for a new flour mill unit, which was to be completed by April 2023, however, got delayed by ~6 months. The commercial operations are expected to commence by end of November 2023. The total cost of the project is ~Rs.84.84 Cr, of which Rs.50.75 Cr is to be funded through term loan and balance forty percent from promoter's sources. As on September, 2023 the total cost incurred stood at Rs. 82.65 Cr out of which Rs. 48.44 Cr is funded via term loan and balance from internal accruals. The commercial operations are expected to begin towards the end of November 2023.

Acuite believes that the ability of the company to maintain its moderate financial risk profile in view of higher repayment obligations and augment its business risk profile post completion of ongoing capex will be a key monitorable.

Efficient working capital management

The working capital management of the company is efficient marked by Gross Current Assets (GCA) days of 53 days for both FY2023 and FY2022. The inventory holding stood 24 days in FY2023(Prov) against 31 days in FY2022. Further, the receivables cycle has remained efficient as the debtor days continue to remain low at 19 days as on March 31, 2023 (Prov) against 21 days in FY2022.

Acuite believes that the working capital operations of the company will remain almost at the same levels as evident from efficient collection mechanism and low inventory levels over the medium term.

Weaknesses

Declining profit margins.

The profitability margins of the company have decreased significantly in FY2022 owing to increase in the raw material prices and the company's inability to effectively pass on the same to the customers or do so with a lag. PIPL's margins are exposed to price volatility in wheat, as the Ukraine-Russia conflict has led to an increase in wheat (and flour) prices. The operating profit margin of the company has declined consistently since FY2021. It declined from 7.12% in FY2021 to 6.01% in FY2022 and 4.36% in FY2023(Prov). The PAT margin in turn declined to 1.91 per cent in FY2023 (Prov) from 2.22 per cent in FY2022. It is expected that the persistent high price levels of wheat are likely to keep the margins in similar range over the

near term. Since raw material cost (Wheat) account for ~87% of total production cost, even a slight variation in rates of raw materials can drastically impact the profitability. Moreover, the company operates in a commoditised market and its operating margin will remain range bound on account of its low value-adding nature of operations and the fragmented and unorganised market.

Fragmented and competitive industry buoyed by increased geographical concentration risk Jammu & Kashmir continues to be the company's key market, which is expected to continue in the future also exposing it to geographical concentration risk. Moreover, the Indian flour milling industry is highly fragmented with organized players and a number of small regional players. Recently, with increased awareness for hygiene and convenience, the local mills are now facing competition from branded packaged atta manufacturers. The Indian packaged wheat flour market comprises few national players, large number of regional players and private label brands who have pan India presence or restricted geographical presence based on their size and capacity. As numerous players operate in the segment selling a commoditised product, the pricing capability of the company is limited.

Rating Sensitivities

- Ability to scale up operations in commensurate with the capacity addition while maintaining profitability and capital structure.
- Restricting any significant elongation in working capital operations.

All Covenants

Not Applicable

Liquidity Position Adequate

Liquidity of the company is adequate with sufficient cash accruals generation to its maturing debt repayment obligations. The company generated cash accruals of Rs.10.98 Cr in FY2023(Prov) against debt repayment obligation of Rs.2.59 Cr. Going ahead, the company is expected to generate cash accruals in the range of Rs.13.51Cr & Rs.18.07Cr in FY2024 & FY2025 against repayment obligation of Rs.3.27 and Rs.10.95 Cr respectively. The increase in repayment obligation is on account of commencement of repayment of the term loan taken towards capex. The fund-based working capital limit remains moderately utilised at ~65 per cent over the last six months ended September 2023. The current ratio stood at 1.66 times as on March 31, 2023 (Prov) against 1.16 times in the previous year. The working capital management of the company is efficient as reflected by Gross Current Assets (GCA) of 53 days as on March 31, 2023 (Prov).

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, expected benefits from the recent capex towards stable operating performance. The outlook may be revised to 'Positive' in case of higher-than-expected 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 of the overall financial risk profile.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	377.07	333.02
PAT	Rs. Cr.	7.22	7.41
PAT Margin	(%)	1.91	2.22
Total Debt/Tangible Net Worth	Times	1.28	1.01
PBDIT/Interest	Times	4.58	4.52

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>
- 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
11 Aug 2022	Cash Credit	Long Term	29.00	ACUITE BBB Stable (Reaffirmed)
	Covid emergency line	Long Term	5.30	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	41.07	ACUITE BBB Stable (Reaffirmed)
	Standby Line of Credit	Long Term	3.60	ACUITE BBB Stable (Reaffirmed)
	Proposed Bank Facility	Short Term	0.18	ACUITE A3+ (Assigned)
	Term Loan	Long Term	9.68	ACUITE BBB Stable (Assigned)
	Warehouse Receipt Financing	Long Term	10.00	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	0.58	ACUITE BBB Stable (Reaffirmed)
20 Apr 2022	Standby Line of Credit	Long Term	3.60	ACUITE BBB Stable (Reaffirmed)
	Working Capital Term Loan	Long Term	5.45	ACUITE BBB Stable (Assigned)
	Cash Credit	Long Term	27.65	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	1.35	ACUITE BBB Stable (Assigned)
	Term Loan	Long Term	1.50	ACUITE BBB Stable (Reaffirmed)
	Warehouse Receipt Financing	Long Term	50.00	ACUITE BBB Stable (Assigned)
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*)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	29.00	ACUITE BBB Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	15.06	ACUITE BBB Stable Reaffirmed
State Bank of India	Not Applicable	Stand By Line of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	3.60	ACUITE BBB Stable Reaffirmed
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	51.75	ACUITE BBB Stable Reaffirmed

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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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