



Press Release
PBI India Private Limited
August 07, 2024
Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	43.73	ACUITE BBB Stable Assigned	-
Bank Loan Ratings	99.41	ACUITE BBB Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	143.14	-	-

Rating Rationale

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

Acuite has assigned its long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) on the Rs. 43.73 crore bank facilities of PBI India Private Limited (PIPL). The outlook is '**Stable**'.

Rationale for rating reaffirmation and assigned

The rating reaffirmation continues to factor in the long track record of operations of the company along with its experienced management. Further, it considers the improvement recorded in its operating performance marked by growth in revenue to Rs.423.87 Cr. in FY2024(Prov.) from Rs.375.05 Cr. in FY2023 on account of increased volumes and price realisations. The operating profit margins in turn improved to 5.14% in FY2024(Prov) against 2.24% in FY2023. Further, the financial risk profile continues to remain moderate, marked by moderate net worth, gearing, and comfortable debt protection metrics. The tangible net worth of the company increased to Rs.67.24 Cr. as on March 31, 2024 (Prov) from Rs. 49.11 Cr. as on March 31, 2023, on account of accretion of profits to reserves. The rating further 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 further augment the scale of operations in commensurate to the recent capacity addition while improving profitability and maintaining 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 & Kashmir 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 approximately 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 'PMark' brand name in Jammu & Kashmir and Punjab. It also provides tanker transportation services for Indian Oil Limited, carrying the petroleum products.

Unsupported Rating

Not Applicable

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 established in 1980 by Mr. A. K. Puri, Mr. Sanjay Puri, and Mrs. Anjali Puri. Currently, the company is managed by Mr. Sanjay Puri, Mrs. Anjali Puri, Mr. Archit Puri, and Mr. Shubham Puri, who together have over three decades of experience in the business. This experience has helped PIPL build strong, long-term relationships with its customers and suppliers. PIPL sources its raw materials such as wheat from the Food Corporation of India (FCI) and other raw materials like split chickpeas (chana dal) for besan from local farmers in Punjab. The company mainly sells its products to local wholesalers.

Acuité believes that PIPL will continue to use its management's experience to maintain and further develop healthy relationships with its customers and suppliers.

Moderate financial risk profile

The company's financial risk profile is moderate, marked by moderate net worth, gearing, and comfortable debt protection metrics. The tangible net worth of the company increased to Rs.67.24 Cr. as on March 31, 2024 (Prov) from Rs. 49.11 Cr. as on March 31, 2023, on account of accretion of profits to reserves. Gearing of the company stood at 1.45 times as on March 31, 2024 (Prov) as compared to 1.43 times as on March 31, 2023. The company benefits from the financial support extended by the promoters through unsecured loans. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.73 times as on March 31, 2024 (Prov) as against 1.53 times as on March 31, 2023. The Interest Coverage Ratio (ICR) stood at 6.64 times in FY 2024 (Prov) as against 2.98 times in FY 2023 and Debt Service Coverage Ratio (DSCR) at 3.66 times in FY 2024(Prov) as against 1.38 times in FY 2023. Further, the company has undertaken debt funded capex for a new flour mill unit, which got completed in February 2024.

Acuite believes that the ability of the company to maintain its moderate financial risk profile in view of higher repayment obligations and to augment its business risk profile further with enhanced capacity 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 69 days in FY2024(Prov.) against 49 days in FY2023. The inventory holding period stood at 35 days in FY2024(Prov) against 23 days in FY2023. Further, the receivables cycle has remained efficient as the debtor days continue to remain low at 26 days as on March 31, 2024 (Prov) against 19 days in FY2023. The working capital operations of the company are expected to remain at the similar levels over the medium term.

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

Weaknesses

Fragmented and competitive industry buoyed by 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. The Indian flour milling industry is highly fragmented with organized and small regional players. Local mills are facing competition from branded packaged atta manufacturers due to increased awareness of hygiene and convenience. The market comprises a few national players, a large number of regional players, and private-label brands with varying geographical presence. Multiple players in the segment selling a commoditized product limit the pricing capability of the company.

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.

Liquidity Position Adequate

Liquidity of the company is adequate on account of healthy cash accruals generation to its maturing debt repayment obligations. The company generated cash accruals of Rs.22.25 Cr in FY2024(Prov.) against debt repayment obligation of Rs.3.27 Cr during the same period. Going ahead, the company is expected to generate cash accruals in the range of Rs.16.66 Cr & Rs.19.16 Cr in FY2025 and FY2026 against repayment obligation of ~Rs.7.40 Cr in the same period respectively. The increase in repayment obligation is on account of commencement of repayment of the term loan taken towards capex. The fund-based limit remains moderately utilised at ~81.92 per cent over the last six months ended May 2024. The current ratio stood at 1.52 times as on March 31, 2024 (Prov) against 1.58 times in the previous year. The working capital management of the company is efficient as reflected by Gross Current Assets (GCA) of 69 days as on March 31, 2024 (Prov).

Acuité believes that going forward going forward, the company is expected to continue to maintain adequate liquidity position owing to steady accruals and moderately utilised working capital limits.

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 the 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 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	423.87	375.05
PAT	Rs. Cr.	18.13	1.22
PAT Margin	(%)	4.28	0.33
Total Debt/Tangible Net Worth	Times	1.45	1.43
PBDIT/Interest	Times	6.64	2.98

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>
- 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
09 Nov 2023	Cash Credit	Long Term	29.00	ACUITE BBB Stable (Reaffirmed)
	Stand By Line of Credit	Long Term	3.60	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	51.75	ACUITE BBB Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	15.06	ACUITE BBB Stable (Reaffirmed)
11 Aug 2022	Stand By Line of Credit	Short Term	3.60	ACUITE BBB (Reaffirmed)
	Term Loan	Long Term	0.58	ACUITE BBB Stable (Reaffirmed)
	Covid Emergency Line.	Long Term	5.30	ACUITE BBB Stable (Reaffirmed)
	Warehouse Receipt Financing	Long Term	10.00	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	41.07	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	9.68	ACUITE BBB Stable (Assigned)
	Cash Credit	Long Term	29.00	ACUITE BBB Stable (Reaffirmed)
	Proposed Short Term Bank Facility	Short Term	0.18	ACUITE A3+ (Assigned)
20 Apr 2022	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)
	Stand By Line of Credit	Short Term	3.60	ACUITE BBB (Reaffirmed)
	Warehouse Receipt Financing	Long Term	50.00	ACUITE BBB Stable (Assigned)
	Covid Emergency Line.	Long Term	5.45	ACUITE BBB Stable (Assigned)
04 Oct 2021	Proposed Cash Credit	Long Term	3.52	ACUITE BBB (Upgraded & Withdrawn from ACUITE BB+)
	Stand By 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+)
	Cash Credit	Long Term	27.65	ACUITE BBB Stable (Upgraded from ACUITE BB+)

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 avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	29.00	ACUITE BBB Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	40.00	ACUITE BBB Stable Assigned
State Bank of India	Not avl. / Not appl.	Covid Emergency Line.	Not avl. / Not appl.	Not avl. / Not appl.	28 Feb 2025	Simple	1.57	ACUITE BBB Stable Assigned
State Bank of India	Not avl. / Not appl.	Stand By Line of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	3.60	ACUITE BBB Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Sep 2030	Simple	46.97	ACUITE BBB Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Working Capital Demand Loan (WC DL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	19.84	ACUITE BBB Stable Reaffirmed
State Bank of India	Not avl. / Not appl.	Working Capital Demand Loan (WC DL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.16	ACUITE BBB Stable Assigned

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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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