Rating Rationale

Brickwork Ratings assigns 'BWR BB+' & 'BWR A4+' for the Bank Loan Facilities aggregating ₹ 196.66 Cr of Pranav Agro Industries Limited.

Brickwork Ratings has assigned the following **Ratings**[1] for Bank Loan Facilities of Pranav Agro Industries Limited *(PAIL or the 'Company'):*

Facility	Limits (₹ Cr)	Tenure	Rating
Fund Based **Cash Credit**	**83.33**	**Long Term**	**BWR BB+** (Pronounced BWR Double B Plus) **Outlook -Stable**
Non-Fund Based **ILC/FLC**	**113.33**	**Short Term**	**BWR A4+** (BWR A Four Plus)
Total	**196.66**	**INR One Hundred Ninety Six Crores & Sixty-Six Lakhs only.**	

The ratings reflect promoters' strong experience in the animal feed and edible oil industry, backward integrated operations, strong product profile, moderate financial profile marked by moderate net worth & gearing ratio of the company. The ratings also factored the visibility of the brand in the Tier-II, Tier-III, rural regions of Maharashtra and its neighbouring states. The ratings are, however, constrained by the company's thin profitability margins, volatility in raw material prices, high working capital intensive operations & intense competition from large players.

BWR has essentially relied upon the audited financials of Pranav Agro Industries Limited up to FY13, projected financials of FY14, FY15, publicly available information and information/clarifications provided by the Company.

Background:

PAIL is a closely held public limited company incorporated on 2 February, 2000, in Pune.

The Company is into manufacture and marketing of animal feeds, edible oils and other specialty products. These products are marketed under various brands in tier-II, tier-III and other rural pockets of Maharashtra, Karnataka and other neighbouring areas.

[1] ***Please refer to www.brickworkratings.com for definition of the Ratings***

PAIL has manufacturing facilities located in Sangli, Solapur, Hyderabad, Bangalore and Shirwal. PAIL procures oil seeds, which form a major part of its raw materials, from local traders. The seasonal nature of these oil seeds affects the profitability of the Company. Crude edible oils are imported by entering into high seas sales, thus reducing foreign exchange risk.

The Company markets animal feed products under the brand name of 'AMRUT'. It includes products such as cattle, poultry & lab animal feed, animal health care products for cattle & poultry. PAIL's edible oil products are marketed under the brand name of 'CHAKAN'. It includes all types of refined & filtered edible oils. It also manufactures cocoa butter substitutes for chocolates, confectionary & cosmetics industry. The Company exports this product to parts of Middle East and Europe.

The Company has 2 solvent extraction plants with a total installed capacity of 1.2 lakh tons per annum (TPA). It also has 2 oil refineries with installed capacities of 45000 TPA. It has one manufacturing facility with capacity 2.27 lakh TPA to produce animal feed. The manufacturing plants are strategically located close to raw material sources. The units are running with moderate capacities.

Management:

The Company is promoted by Mr. Pravin Lunkad, who is the Managing Director. He has a vast experience of over three decades in Animal feed and edible oil industry. The other director of the Company is Mr. Yogesh Seth.

Financial Performance:

PAIL recorded a 10.38% increase in net sales from Rs 726.50 Cr in FY 12 to Rs 801.94 Cr in FY13. The operating profits increased to Rs.19.76 Cr in FY13 from Rs.17.40 Cr in FY12. As a result, the Company has seen an increase in PAT from Rs.5.15 Cr in FY12 to Rs.5.72 in FY13.

Net worth of PAIL has increased to Rs 46.49Cr in FY13 from Rs 39.77 Cr in FY12, primarily due to infusion of capital in the form of share application money and retention of profits for FY13. As per provisional FY14, the Company has infused funds in the form of equity shares issued at a premium, thus increasing the net worth by Rs.10.20 Cr. As a result, the gearing is expected to further reduce in FY14. The gearing ratio for FY13 was 1.53 times.

As per provisional FY14, the Company has achieved a turnover of about Rs.910 Cr.

Rating Outlook:

The outlook is expected to be stable over the current year. Going forward, the ability of the company to improve profitability margins by effectively managing raw material prices, improve capacity utilizations and efficiently manage its working capital would be the key rating sensitivities.

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