

Rating Rationale

Brickwork Ratings assigns 'BWR B' for the Bank Loan Facilities aggregating ₹ 19.80 Cr for Prayag Cereals Pvt Ltd.

Brickwork Ratings (BWR) has assigned the following **Rating¹** for Bank Loan Facilities of ₹ 19.80 Cr to Prayag Cereals Pvt Ltd (PCPL)

| Facilities | Amount (₹ Cr) | Tenure | Rating |
|---|---------------|--|--|
| Fund Based Cash Credit | 9.50 | Long Term | BWR B (Pronounced as BWR Single B) Outlook: Stable |
| Fund Based Term Loans | 10.30 | | |
| Non-Fund Based Letter of Credit | 4.00* | | |
| Total | 19.80 | INR Nineteen Crores & Eighty Lakhs only | |

* Letter of credit is a sub limit of term loan

BWR has essentially relied upon the projections from FY16 to FY19, publicly available information and information/clarifications provided by the Company's management.

The rating draws strength from the extensive experience of the directors in processing of paddy for more than 35 years, significant track record of the management in the same line of business, commercial production already begun, strong repayment capability of the project on a standalone basis, and growing market for rice. However, the ratings are constrained by revenue risk of the company, low net worth and moderate level of revenues and intense competition in the industry.

Background:

Prayag Cereals Pvt Ltd was established in 2013 as a private Limited Company by Mr. Ram Kumar Rathi and Mr. Ankit Rathi, who are the directors of the company. The company is engaged in processing of paddy with the installed capacity of 8 tons per hour with two shifts everyday which adds up to 26,400 tons per year. The commercial production has started in March 2015.

Mr. Ram Kumar Rathi is the Director with the vast experience of more than 35 years in the same line of business. He has completed his B.Sc. (Agri). Mr. Ankit Rathi (son of Mr. Ram Kumar Rathi) is the other director of the company who has done his engineering and worked with various Indian and foreign multi-nationals in various capacities.

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

Project Details:

The project cost is estimated at Rs.19.63 Cr Prayag Cereals Pvt Ltd is expecting total sales revenue of ₹ 46.37 Cr and PAT of ₹ 1.52 Cr in the first year of operations. Tangible net worth is expected to be at ₹ 7.52 Cr and debt equity ratio at 3.07 times at the end of first year of operations.

Rating Outlook:

The experienced and competent management would help the company to achieve its projected revenues and profitability. Going forward, the ability of the firm to achieve its projected revenues, profitability, manages its capital structure and working capital effectively would be the key rating sensitivities.

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