

## Rating Report

### Brickwork Ratings assigns 'BWR B' & 'BWR A4' for the Bank Loan facilities aggregating to ₹ 19.80 Cr of Prayag Cereals Pvt Ltd.

Brickwork Ratings (BWR) has assigned the following **Ratings**<sup>1</sup> for the Bank Loan Facilities of ₹ 19.80 Crs of Prayag Cereals Pvt Ltd (PCPL)

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

\* 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, project being complete and production having commenced, and growing market for branded and packaged rice. However, the ratings are constrained by revenues and profitability yet to be proven, low net worth and moderate level of projected 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 an installed capacity of 8 tons per hour with two shifts everyday which would make up to 26,400 tons per year. The company has implemented the project and 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 is qualified with B.Sc. (Agri).

<sup>1</sup> Please refer to [www.brickworkratings.com](http://www.brickworkratings.com) for definition of the Ratings

He is actively involved in many social activities and therefore a well known personality in farmers community in surrounding area. Mr. Ankit Rathi (son of Mr. Ram Kumar Rathi) is the another director of the company who has done his engineering and worked with various Indian and foreign multi-national in various capacities.

### **Project Details:**

Prayag Cereals Pvt Ltd started with authorised capital of Rs. 5,00,00,000/- but has the paid up capital of only Rs. 1,47,10,000/-. The project cost is estimated to be of Rs. 19.63 crs. Prayag Cereals Pvt Ltd is expecting the total sales revenue of ₹ 46.37 crs and PAT of ₹ 1.52 crs in the first year of operations. Tangible net worth is expected to be at ₹ 7.52 crs and debt equity ratio of 3.07 times at the end of first year of operations.

### **Credit Risk Determinants**

The Directors of the company have more than 35 years of experience in processing of paddy, support extended by the group concerns which are in the same line of business, in time execution of the project and commencement of commercial production as per planned schedule and strong repayment capability of the project on a standalone basis are the strength of the company.

The risk of not being able to achieve the projected revenues and profitability as the company has commenced commercial production in March, 2015. low net worth of the company and moderate level of revenues projected and intense competition in the industry are the rating constraints for the company.

### **Rating Outlook:**

The experienced and competent management would help the company to have stable operation in the current year. Going forward, the ability of the company to achieve its projected revenues and profitability and manage its capital structure effectively would be the key rating sensitivities.

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Annexure I				
Prayag Cereals Pvt Ltd				
Profit & Loss Account				
₹ in Crores	FY 16	FY 17	FY 18	FY 19
Result Type	Projected	Projected	Projected	Projected
Gross Sales	46.37	53.49	58.38	63.27
Net Sales	46.37	53.49	58.38	63.27
Other Operating Income	0.00	0.00	0.00	0.00
Total Operating Income	46.37	53.49	58.38	63.27
Operating Expenses	41.45	48.16	52.57	57.00
OPBDIT	4.92	5.33	5.81	6.27
Depreciation/Amortization/Impairment	0.63	0.63	0.63	0.63
OPBIT	4.29	4.70	5.18	5.64
Interest and Finance Charges	2.38	2.33	2.24	2.14
OPBT	1.91	2.38	2.94	3.50
Non Operating Income(Expenses)	0.00	0.00	0.00	0.00
PBT	1.91	2.38	2.94	3.50
Provision for Taxes	0.39	0.44	0.54	0.67
PAT	1.52	1.94	2.39	2.83

Annexure II				
Prayag Cereals Pvt Ltd				
Balance Sheet				
₹ in Crores	FY 16	FY 17	FY 18	FY 19
<b>LIABILITIES</b>	<b>Projected</b>	<b>Projected</b>	<b>Projected</b>	<b>Projected</b>
Equity And Reserves	7.52	9.46	11.85	14.69
Share capital	6.00	6.00	6.00	6.00
Reserves and Surplus	1.52	3.46	5.85	8.69
Non-current liabilities	12.28	10.78	9.16	7.42
Long-Term Borrowings	12.28	10.78	9.16	7.42
Current liabilities	11.96	13.26	14.49	15.72
Short-Term Borrowings	9.50	10.50	11.50	12.50
Current Portion Of Long Term Debt	1.32	1.50	1.62	1.74
Trade Payables	1.14	1.26	1.37	1.48
<b>Total Liabilities</b>	<b>31.77</b>	<b>33.50</b>	<b>35.51</b>	<b>37.84</b>
<b>ASSETS</b>				
Non-current assets	15.83	15.20	14.57	13.94
Net Fixed assets	15.83	15.20	14.57	13.94
Current assets	15.94	18.30	20.94	23.89
Inventories	11.31	12.43	13.56	14.69
Trade Receivables < Six Months	2.73	3.12	3.38	3.65
Cash and Cash Equivalents	1.90	2.75	3.99	5.56
<b>Total Assets</b>	<b>31.77</b>	<b>33.50</b>	<b>35.51</b>	<b>37.84</b>

Annexure III					
Prayag Cereals Pvt Ltd					
Ratios					
₹ in Crores		FY 16	FY 17	FY 18	FY 19
Tangible Net Worth	₹	7.52	9.46	11.85	14.69
Total Debt/TNW	Times	3.07	2.41	1.88	1.48
Long Term Debt/TNW	Times	1.63	1.14	0.77	0.51
TOL/TNW	Times	2.67	2.10	1.64	1.29
ISCR	Times	2.07	2.29	2.59	2.93
DSCR	Times	1.90	1.34	1.41	1.49
Net Cash Accruals/Total Debt	Times	0.09	0.11	0.14	0.16
Current Ratio	Times	1.33	1.38	1.44	1.52
Net Profit Margin	%	3.28	3.62	4.10	4.48
Operating Profit Margin	%	10.61	9.97	9.95	9.92
ROCE	%	14.01	14.96	15.60	16.01
Days Receivables	Days	21	20	20	20
Days Inventory	Days	102	92	93	93
Days Payable	Days	10	10	10	10
Conversion Cycle	Days	113	103	103	103