Press Release

Piccadily Agro Industries Limited

December 12, 2022

Ratings

Instrument/ Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	95.00	IVR BBB/ Stable (IVR triple B with Stable outlook)	Reaffirmed	Simple
Short Term Bank Facilities	5.00	IVR A3+ (IVR A three plus)	Reaffirmed	Simple
Total	**100.00 (INR One hundred crore only)**			

Details of Facilities are in Annexure 1

Detailed Rationale

The reaffirmation in the ratings assigned to the bank facilities of Piccadily Agro Industries Limited continues to take into account the experienced promoters and long track record of operations, proximity to sugar cane growing area and moderate recovery rate, diversified product portfolio, continuous scale up of operations with improvement in profitability, satisfactory financial risk profile and moderate working capital intensive nature of operations. The ratings, however, are constrained by susceptibility of operations to agro Climatic factors, exposure to risk related to government regulations and execution risks related to ongoing and future projects.

Key Rating Sensitivities:

Upward Factors

- Substantial and sustained growth in operating income and improvement in profitability
- Sustenance of the capital structure and improvement in debt protection metrics

Downward Factors

- Moderation in operating income and/or cash accrual or deterioration in operating margin, any stretch in the working capital cycle driven by pile-up of inventory or stretched receivables, or sizeable capital expenditure affecting the financial risk profile, particularly liquidity.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced management and long track record of operations:
PAIL has an operational track record from 1997. Long standing presence of the management in the industry has helped the company to build established relationships with both customers and suppliers.

Proximity to sugar cane growing area and moderate recovery rate
The primary raw material, sugarcane, is available in abundant quantity in nearby area. The presence in sugarcane growing area gives a competitive advantage in terms of easy availability of quality sugarcane and lower freight. The recovery rate of the company remained moderate at 10.01% with a recovery of molasses at 4.50% in FY22. (10.41% and 4.50% in FY21)

Diversified product portfolio:
PAIL derived 53.61% of income from sugar segment and 46.39% from distillery products in FY22 as compared to 54.30% from sugar segment and 45.70% from distillery unit in FY21. PAIL is engaged in crushing of cane, distillery production from grains, ethanol production from molasses and power generation from bagasse for captive consumption. PAIL for backward integration has started manufacturing pet bottles and cap production for liquor packaging. A diversified product portfolio enables the company to spread its risk and reduces dependency on single/few products. The company gradually diversified its product portfolio in its both segments, which also underpinned growth in its both segments. PAIL also has contracts with IOCL and BPCL to supply ethanol.

Continuous scale up of operations with improvement in profitability:

PAIL is engaged in sugar industry from last 27 years and in distillery products for last 13 years. The total operating income of the company has witnessed growth of around 17.13% on Y-o-Y basis as it stood at ~Rs.575.33 crore in FY22 as compared to Rs.489.34 crore in FY21. The growth in the revenue was mainly driven by increase in sales in both sugar and distillery divisions on account of increase in sales volume and sales realization of its products in both these divisions. Revenue from sugar segment increased from ~Rs.266.93 crore in FY21 to ~Rs.308.41 crore in FY22. On the other hand, Distillery products segment also witnessed a significant growth in revenue from ~Rs.224.11 crore in FY21 to ~Rs.266.92 crore in FY22. PAIL has own brands in IMFL (are in high demand regions like Delhi/ NCR and is one of the largest selling brands in Haryana) and in Country liquor. PAIL has also launched single malt to enter into premium liquor. EBITDA margin of the company has improved to 12.05% in FY22 as compared to 10.56% FY21 driven by better margins earned in both sugar and distillery unit. The PAT margins of the company have also improved on account of improvement in EBIDTA margin and lower interest expenses as it increased from 3.59% in FY21 to 5.10% in FY22. GCA of company increased to Rs.42.77 Crores in FY22 as compared to Rs.30.44 Crores in FY21.

Satisfactory financial risk profile:

The net worth of PAIL stood at Rs 206.90 crore as on March 31, 2022, as against Rs.182.26 crore as on March 31, 2021. The long-term debt equity ratio and overall gearing ratio stood moderate at 0.20x and 0.65x respectively as on March 31, 2022 as against 0.26x and 0.69x respectively as on March 31, 2021.The total indebtedness of the company as reflected by TOL/TNW improved from 1.78x as on March 31, 20201 to 1.56x as on March 31, 2022 driven by accretion of profit to reserves. The debt protection metrics of the company remained average over the years marked by its satisfactory gross cash accruals. The interest coverage improved and remained moderate at 4.91x in FY22 (3.26x in FY21) driven by increase in absolute EBITDA and decline in interest expenses. Total debt to GCA improved to 3.16 years in FY22 as compared to 4.12 years in FY21.

Moderate Working capital intensive nature of operations:

The operations in sugar and distillery sector are capital intensive. PAIL is engaged with client having Licence 1 and Licence 13 and is approved by government for sale of IMFL, country liquor and company has 25 agents for sale of sugar. The company holds an inventory and creditors average period for 128 and 94 days for FY22.The Working Capital Cycle of the company moderated and remained elongated at 66 days in FY22 (55 days in FY21). The current ratio improved and stood at unity as on March 31, 2022, as compared to 0.93 x as on March 31,2021. PAIL's bank limits remained moderately utilised at 75% in the past twelve months ending October 2022 indicating adequate liquidity buffer.

Key Rating Weaknesses

Susceptibility of operations to Agro Climatic factors

Sugarcane and broken rice are the key input into the sugar and distillery industry and is dependent on timely monsoons. Any adversity on the timely and adequacy of rainfall, given highly uneven pattern of rainfall observed in the last few years, would drastically affect the availability and price of raw material thereby affecting operations of the company.

Exposure to risk related to government regulations

The Sugar and Liquor industry is highly exposed to risks related to Government regulations. Various Government Acts virtually governs all aspects of the business, which include the availability and pricing of sugarcane, sugar trade and by - product pricing. The procurement of sugarcane by the sugar entities is governed by the Sugarcane (Control) Order, 1966, which stipulates that the mills need to source their sugarcane only from the command area allocated to them. The order also makes it mandatory for the sugar mill to necessarily uplift the entire sugarcane production of the farmer, irrespective of the market demand, which has a considerable impact on the inventory holding pattern.

The liquor industry in India is governed by strict government regulations and license regime that differ from state to state. Each India's states have their own regulatory controls on the production, marketing and distribution, and even pricing of alcohol. Further, high taxation and duties also make the industry dynamics complex.

This makes its operating profitability susceptible to any policy measure announced by the Government.

Risks related to execution of ongoing and future projects

The company has planned a capex for expansion of its distillery unit in Karnal, Haryana. The existing capacity of the unit is 90 KLPD, which the company is planning to expand to 150 KLPD. The total estimated cost of the expansion project is Rs.47.00 crores. Around Rs.35.25 crores of the total estimated cost are funded by Bank Term Loan and remaining by internal accruals. The project execution has already been started, bank loan has been sanctioned and the expected COD is in October 2023.

Apart from this the company has also planned to further increase the capacity of same unit in phases till FY25 and take the total installed capacity to 250 KLPD. Also, the sugar unit's capacity is also expected to increase from 5000 TCD to 7500 TCD and the same will be completed by FY25.

The company has formed its subsidiary, Portvadie Distillers & Blenders Limited, in Glasgow, Scotland for production of single malt whiskey under a foreign brand name. Till now only land acquisition has been done and as of now PAIL has invested around Rs.11 crore in the form of equity share capital in the subsidiary. Any further investments in this subsidiary will be key rating monitorable.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies]

[Financial Ratios & Interpretation (Non- Financial Sector)]

[Criteria for assigning rating outlook]

Liquidity: Adequate

The company's liquidity is adequate marked by 75% average utilisation of fund-based limits during the past 12 months ended October 2022. Further, the company expects sufficient cushion in cash accruals against its debt repayments in the next 3 years. However, the company has a low Current Ratio of 1.00x as of March 31, 2022. The Unencumbered cash and bank balance of company stands at Rs.8.10 Crores as on 31st March 2022. The Working

Capital Cycle of the company moderated and remained elongated at 66 days in FY22 (55 days in FY21).

About the Company

Piccadily Agro Industries Ltd (PAIL), a Public Limited Company, was incorporated in the year 1994 and started its commercial operations in 1997 as a sugar processing company. Later in 2007, PAIL has set up a distillery unit. At present the company is engaged in manufacturing sugar and distillery products at a manufacturing plant in Karnal, (Haryana) covering an area of around 168 acres. The facility comprises a 5,000-tonne-per-day crushed sugar production unit and a 80kpld distillery unit and a 10klpd malt spirit unit. It also has a co-gen power capacity of 14 MW.

Financials (Standalone) **(Rs. Crore)**

For the year ended* / As On	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	489.34	575.33
EBITDA	51.70	69.32
PAT	17.63	29.36
Total Debt	125.36	135.29
Tangible Net worth	182.26	206.90
EBITDA Margin (%)	10.56	12.05
PAT Margin (%)	3.59	5.10
Overall Gearing Ratio (x)	0.69	0.65
Interest Coverage Ratio (x)	3.26	4.91

**Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA: None

Any other information: Not applicable

Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities			Rating History for the past 3 years			
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned

					(September 13, 2021)	**(July 31, 2020)**	**in 2019-20**
1.	Cash Credit	Long Term	95.00	IVR BBB/ Stable	IVR BBB/ Stable	IVR BBB/ Stable	-
2.	ILC/ FLC/ ILG	Short Term	5.00	IVR A3+	IVR A3+	IVR A3+	-

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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	95.00	IVR BBB/ Stable
ILC/ FLC/ ILG	-	-	-	5.00	IVR A3+

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details

https://www.infomerics.com/admin/prfiles/Len-Piccadily-dec22.pdf

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable.

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.