Press Release

Piccadily Agro Industries Limited

September 13, 2021

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Ratings	Rating Action
1.	Long Term Bank Facilities	95.00	IVR BBB / Stable Outlook (IVR Triple B with Stable Outlook)	Reaffirmed
2.	Short Term Bank Facilities	5.00	IVR A3+ (IVR A Three Plus)	Reaffirmed
	Total	**100.00**		

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of Piccadily Agro Industries Ltd (PAIL) continues to draw comfort from its successful long track record under experienced promoters, diversified portfolio and proximity to sugar cane growing area and moderate recovery rate. The ratings also positively consider continuous scale of operations along with satisfactory financial risk profile and moderate working capital intensive nature of operations. However, these rating strengths are partially offset by agro climatic factor and exposure to risk related to government regulations.

Key Rating Sensitivities:

Upward Factor:

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

Downward factor:

- 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 Strength

Experienced Promoters and long track of record:

PAIL has an operational track record from 1997. Long standing presence of the promoter in the industry has helped the firm 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 10.50% with a recovery of molasses at 4.51% and bagasse recovery at 27.22% in FY21. (10.70% ,4.80% and 27.24% in FY20).

Diversified product portfolio:

PAIL derives 54.30% of income from sugar segment and 45.70% from distillery products in FY21 as compared to 62% from sugar segment and 38.35% from distillery unit in FY20. 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 firm 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 has contracts with IOCL and BPCL to supply ethanol. PAIL has also produced sanitizers ethanol based in FY2020 and the supplied sanitizers to Dr. Morepen Laboratories Ltd.

Continuous scale up of operations:

PAIL is engaged in sugar industry from 26 years and in distillery products for 14 years. The total operating income of the company has witnessed an increasing trend with a CAGR of ~9.64% during FY19-FY21 and stood at ~Rs.489.34 crore in FY21 as compared to Rs.399.41 crore in FY20. The growth in the revenue was mainly driven by increase in capacity utilisation leading to higher volume and higher sales realisation from both segment(Sugar and Distillery). Revenue from sugar segment improved from ~Rs.205.38 crore in FY19 to ~Rs.266.23 crore in FY21. On the other hand, Distillery products segment also witnessed a significant growth from ~Rs.166.76 crore in FY19 to ~Rs.224.11 crore in FY21. PAIL has own brands in IMFL (are in high demand regions like Delhi/ NCR and is largest selling brands in Haryana) and in Country liquor. PAIL has also launched single malt to enter into premium liqour. The company gradually diversified its product portfolio in its both segments, which also underpinned growth in its both segments. With an increase in absolute value of EBITDA, EBITDA Margin and PAT Margin improved from 10.17%,3.29% to 10.56%,3.59% in FY21.

Satisfactory financial risk profile:

The net worth of PAIL stood at Rs 182.26 crore in FY21. The long term debt equity ratio and overall gearing ratio stood comfortable at 0.39x and 0.94x respectively as on March 31, 2021. Total debt of the company is in FY21 comprises of Rs 29.13 crore of term loan, repayment of term loan is Rs 19.08 crore and bank borrowing of Rs 67.21 crore. The total indebtedness of the company as reflected by TOL/TNW improved from 1.75x as on March 31, 2020 to 1.72x as on March 31, 2021 driven by decrease in bank borrowing and steady accretion of profit to net worth. The debt protection metrics of the company remained average over the years marked by its satisfactory gross cash accruals. The gross cash accruals of the company witnessed a steady improvement from Rs.17.13 crore in FY19 to Rs.28.55 crore in FY21. The interest coverage improved yet remained comfortable at 3.40x in FY21 (2.83x in FY20) driven by increase in absolute EBITDA. Total debt to GCA remained moderate at 4.04 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 137 and 113 days for FY21.The Working Capital Cycle of the company moderated yet remain comfortable at 55 days in FY21 (34 days in FY20). The current ratio is low at 0.93 x as on March 31,2021. PAIL has utilised bank limits remained moderately utilised at 74% in the past twelve months ending May 2021 indicating liquidity buffer.

Key Rating Weaknesses

Agro Climatic factors

Sugarcane and broken rice is 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 profitability 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.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity – Adequate

PAIL earned a GCA of Rs.28.55 crore as against its repayment obligation of Rs.19.08 crore as on March 31,2021. The bank limits remained utilized to the extent of ~74% during the past

12 months ended May 2021 indicating an adequate liquidity buffer. The company has a Current Ratio of 0.93x as of March 31, 2021. Liquidity is expected to remain Adequate.

About the Company

Piccadily Agro Industries Ltd (PAIL), a Public Limited Company, was incorporated in the year 1994 and started it's commercial operations in 1997 as a sugar processing company. Later in 2007, PAIL has set up an 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 90kpld distillery unit and a 10klpd malt spirit unit. It also has a co-gen power capacity of 6 MW.

Financials (Standalone):

(Rs. crore)

For the year ended*/As on	31-03-2020	31-03-2021
	Audited	Audited
Total Operating Income	399.41	489.34
EBITDA	40.63	51.70
PAT	13.17	17.63
Total Debt	125.59	115.42
Tangible Net worth	166.51	182.26
Adjusted Net Worth	100.38	122.89
EBITDA Margin (%)	10.17	10.56
PAT Margin (%)	3.29	3.59
Overall Gearing Ratio (x)	1.25	0.94

**Classification as per Infomerics' standards*

Status of non-cooperation with previous CRA: Issuer not cooperating and Withdrawn by IND vide press release dated Aug 24, 2020 due to non-availability of information

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021 (Dated July 31, 2020)	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Long Term Fund Based Limits – Cash Credit*	Long Term	95.00	IVR BBB/ Stable outlook	IVR BBB/ Stable outlook	-	-
2.	Short Term Non Fund Based Limits – ILC/ FLC/ ILG	Short Term	5.00	IVR A3+	IVR A3+	-	-

*Facility includes sublimit of soft loan – Rs 24 crore

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company’s long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities – Cash Credit*	-	-	-	95.00	IVR BBB/ Stable outlook
Short Term Bank Facilities – ILC/ FLC/ ILG	-	-	-	5.00	IVR A3+

* Facility includes sublimit of soft loan – Rs 24 crore

Annexure 2: List of companies considered for consolidated analysis: N.A. Standalone Approach followed

Annexure 3: Facility wise lender details

https://www.infomerics.com/admin/prfiles/Piccadily-Agro-lenders13sept21.pdf

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

Annexure 5: Complexity level of the rated Instruments/Facilities

Sr No.	Instrument	Complexity Indicator
1.	Cash Credit	Simple
2.	ILC/ FLC/ ILG	Simple

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.