



Press Release

Pragati Foods

August 25, 2025

Ratings

Instrument Facility /	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Facilities	102.00 (Increased from Rs 97.50 crore)	IVR BBB-/ Stable [IVR Triple B Minus with Stable Outlook]	IVR BBB-/ Stable [IVR Triple B Minus with Stable Outlook]	Reaffirmed	<u>Simple</u>
Total	102.00 (Rupees One Hundred and Two Crore Only)				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale:

Infomerics has reaffirmed its ratings on the long-term bank facilities of Pragati Foods.

The rating reaffirmation factors the extensive experience of partners in rice milling business, locational advantage on being present in rice growing central India, favourable demand for rice and rice products and steady scale of operations and operating performance. However, these rating strengths are partially offset by moderate capital structure and debt coverage indicators, partnership nature of the constitution, working capital intensive nature of operations, and vulnerability to agroclimatic risks, regulatory changes and intense competition in the rice milling industry.

‘Stable’ outlook factors the Infomerics belief that firm will continue to benefit from regular demand for the rice and rice products and its established client relationships in India and in export markets.



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Key Rating Sensitivities:

Upward Factors

- Significant increase in scale of operations along with sustained improvement in operating margins
- Sustained improvement in capital structure leading to better-than-expected debt protection metrics

Downward Factors

- Substantial decline in the scale of operations along with operating margins.
- Significant moderation in capital structure leading to decline in the debt protection metrics

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Extensive experience of partners in rice milling business**
With over three decades of experience in the rice milling industry, the partners of the entity bring deep domain expertise and hands-on leadership to its daily operations. Leveraging this longstanding industry presence, Pragati Foods has cultivated strong relationships with both customers and suppliers—resulting in consistent repeat business and a reputation for reliability.
- **Locational advantage**
Strategically situated in Pipariya, Madhya Pradesh—part of Central India's prominent rice-growing belt—the milling unit benefits from close proximity to paddy cultivators. This location offers a distinct competitive edge through easy access to raw materials, reduced transportation costs, and more favourable pricing arrangements.



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- **Favourable demand for rice and rice products**

Rice remains a staple food across much of the world, particularly throughout the eastern hemisphere, ensuring consistently strong demand. India stands as the second-largest producer and consumer of rice globally, reinforcing its pivotal role in the international market. Additionally, the widespread presence of the Indian diaspora further contributes to sustained global demand for paddy and its derived products.

- **Steady scale of operations and operating performance**

The firm maintained stable operations despite a 13.21% decline in operating income in FY25 (Provisional), falling from ₹322.89 crore in FY24 to ₹280.28 crore, mainly due to lower raw material prices impacting realizations. Sales volume increased, but market prices dropped. In FY24, income rose 5.55% over FY23, driven by higher realizations.

EBITDA margins improved from 5.16% in FY23 to 5.45% in FY24, and further to 7.63% in FY25 (Provisional), supported by reduced raw material costs. PAT margins rose from 1.22% in FY23 to 1.25% in FY24, and to 2.62% in FY25, aided by stronger EBITDA, higher non-operating income, and lower finance costs. Operating margins remain thin due to limited value addition, but profitability improved notably in FY25.

Key Rating Weaknesses

- **Moderate capital structure and debt coverage indicators**

The firm's financial risk profile reflects a moderate capital structure and debt protection metrics. Total debt rose to ₹113.15 crore in FY25 (Prov.) from ₹104.95 crore in FY24, while adjusted tangible net worth increased to ₹45.32 crore from ₹37.95 crore, supported by profit-led accretion to reserves. Overall gearing stood at 2.50x as of March 31, 2025 (Provisional), down from 2.77x in FY24 and 2.98x in FY23. TOL/TNW continue to remain elevated at 2.75x in FY25 (Prov.) though moderated from 3.37x in FY24 and 3.17x in FY23, indicating reduced overall indebtedness. The interest coverage ratio improve to 2.81x in FY25 from 1.86x in FY24, driven by higher EBITDA and lower finance costs. That said, any further



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leverage adversely impacting the capital structure will remain a key monitorable going forward.

- **Partnership nature of constitution**

Due to its constitution as a partnership firm, the entity remains exposed to inherent risks such as potential capital withdrawal by partners and the possibility of dissolution in the event of a partner's death, retirement, or insolvency.

- **Working capital intensive nature of operations**

The firm's operations are inherently working capital intensive, as evidenced by an extended operating cycle of 160 days in FY25 (Provisional), compared to 135 days in FY24 and 156 days in FY23. This elongation is primarily driven by elevated average inventory holding periods—155 days in FY25 (Provisional), versus 132 days in FY24 and 144 days in FY23. The high inventory levels stem from the seasonal nature of paddy procurement, which typically occurs between November and March. To ensure uninterrupted operations throughout the year, the firm maintains substantial inventory, resulting in increased stock levels at fiscal year-end.

- **Vulnerability to agroclimatic risks, regulatory changes and intense competition in the rice milling industry.**

As an agricultural commodity, paddy production is inherently vulnerable to agroclimatic fluctuations potentially affecting supply and exerting pressure on pricing. Additionally, government interventions can influence market dynamics, making the firm's ability to pass on cost variations to customers a critical factor. The rice milling industry remains highly fragmented, characterized by the presence of numerous organized and unorganized players. Coupled with the commoditized nature of the product, this competitive landscape continues to exert pressure on operating margins.

Analytical Approach: Standalone



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Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria on assigning rating outlook](#)

[Policy of Default Recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)

Liquidity – Adequate

The liquidity position of the firm is expected to remain adequate as the firm is expected to generate annual net cash accruals in the range of Rs. 13 - 16 Crore in FY2026 to FY2028 against negligible debt repayment obligations. Further, firm has reported current ratio at 1.19x as on March 31, 2025 (Prov.). Firm's average working capital utilization for twelve months ended May 2025 stood at 72.98%. Firm had cash and bank balance of Rs. 0.18 crore as on March 31st, 2025.

About the Company

Pragati Foods, established as a partnership firm, is strategically located in the Industrial Area of Kallu Khapa, near Jail, Pachmarhi Road, Pipariya, Narmadapuram. Renowned as one of India's leading producers of premium Basmati rice, the firm specializes in high-quality varieties such as Pusa Basmati and 1121 Basmati. The firm is promoted by Mr. Manoharlal Dudani and Mahesh Dudani.

Financials (Standalone):

For the year ended/ As on*	(Rs. crore)	
	31-03-2024	31-03-2025 (Prov.)
	Audited	Provisional
Total Operating Income	322.89	280.28
EBITDA	17.61	21.38
PAT	4.04	7.37
Total Debt	104.95	113.15
Tangible Net Worth	37.95	45.32
EBITDA Margin (%)	5.45	7.63
PAT Margin (%)	1.25	2.62
Overall Gearing Ratio (x)	2.77	2.50
Interest Coverage (x)	1.86	2.81

* Classification as per Infomerics' standards.



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Status of non-cooperation with previous CRA: CARE, Brickworks, and CRISIL Ratings continue to classify the ratings on the firm under issuer not cooperating status on account of non-submission of relevant information vide their press release dated April 03, 2025, September 25, 2024 and September 11, 2024 respectively.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (2025-26)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2024-2025	Date(s) & Rating(s) assigned in 2023-2024	Date(s) & Rating(s) assigned in 2022-2023
					June 04, 2024	-	-
1	Cash Credit	Long Term	90.00	IVR BBB-/Stable	IVR BBB-/Stable	-	-
2	CLWF (Credit Line against Pledge of Warehouse Receipts)	Long Term	12.00	IVR BBB-/Stable	IVR BBB-/Stable	-	-



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About Infomerics:

Infomerics Valuation and Rating Limited (Infomerics) [Formerly Infomerics Valuation and Rating Pvt. Ltd] was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

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

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupo n Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	Revolving	90.00	IVR BBB-/ Stable
CLWF (Credit Line against Pledge of Warehouse Receipts)	-	-	-	Revolving	12.00	IVR BBB-/ Stable

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-pragati-foods-aug25.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: 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.