Pravin Masalewale

March 15, 2023

Facilities	Amount (₹ crore)	Ratings[1]	Rating Action
Long-term bank facilities	20.00	CARE A-; Stable	Assigned
Long-term bank facilities	278.14 (Enhanced from 138.71)	CARE A-; Stable	Reaffirmed; Outlook revised from Positive
Short-term bank facilities	2.00	CARE A2	Reaffirmed
Short-term bank facilities	-	-	Withdrawn

Details of facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation of the ratings assigned to the long-term and short-term bank facilities of Pravin Masalewale (PMW) continues to derive strength from the strong brand presence and established market position throughout Maharashtra, long-standing experience of the promoters in the spices business, and financial risk profile marked by stable scale of operations, comfortable capital structure and operating cycle of the Chordia group [includes PMW and Kamal industries (KI)]. The ratings also factor in the wide distribution network and diversified product portfolio.

The above strengths are, however, constrained by susceptibility of margins to fluctuation in the raw material prices, project execution risk associated with the ongoing capacity augmentation project, presence in the fragmented industry, geographical concentration risk, and partnership constitution of the firms limiting the financial flexibility. CARE Ratings takes cognisance of high input cost, which is expected to keep the margins under pressure in the near to medium term. The rating outlook has been revised on account of decline in operating margins as well as weakening of debt coverage indicators on the back of debt-funded capex being undertaken by the company.

CARE Ratings Limited (CARE Ratings) has withdrawn the rating assigned to one of the short-term loans of Pravin Masalewale (PMW) as the facility is closed and there is no amount outstanding under the same as on date.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Substantial improvement in the firm's operational profile leading to increase in the total operating income (TOI) above ₹1,200 core along with PBILDT margin of above 15% on a sustained basis.
- Retention of the net profit in the business by more than 75% leading to improvement in the net worth and capital structure of the firm.

Negative factors

- Any un-envisaged debt leading to significant deterioration in the capital structure with overall gearing deteriorating beyond 1.00x and total debt to gross cash accruals (TD/GCA) beyond 3.00x on a sustained basis.
- Delay in obtaining the envisaged benefits from the project.

Analytical approach: Combined

CARE Ratings has taken a combined view of two entities of the Chordia Group: Pravin Masalewale (PMW) and Kamal Industries (KI), due to their managerial and financial linkages. Both the entities are engaged into same line of business. The table below provides information about the profit/loss sharing pattern in both the entities as on March 31, 2022:

Name of Partner	% of profit/loss sharing in PMW	% of profit/loss sharing in KI
Rajkumar Hukmichand Chordia	30.00	-
Vishal Rajkumar Chordia	30.00	-
Anand Rajkumar Chordia	30.00	50.00
Madhubala Rajkumar Chordia	10.00	50.00

Outlook: Stable

The revision in the outlook from 'Positive' to 'Stable' is on account of the decline in the profitability margins. Furthermore, the margins are expected to remain range bound in the near to medium term on account of volatile raw material prices. This apart, the company is also undertaking debt-funded capex which is expected to weaken the debt protection metrics.

The stable outlook reflects that on a combined basis, the firms are likely to sustain the overall business performance due to the established brand and benefits accruing from diversified product portfolio, while maintaining comfortable financial risk profile.

[1]Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Key strengths

Strong brand name and established market position in Maharashtra

The group markets and distributes its products primarily under six brands: 'Suhana', 'Ambari', 'Sarvam', 'Toofan', 'Pravin', 'Navin', and 'Aveer'. The products of the group are sold under the above brand names depending on the pricing and quality of the spices. 'Suhana' continues to be one of the leading brands in regular spices segment in Indian markets, particularly in Maharashtra region.

Financial risk profile marked by growing scale of operations, moderate profitability levels, and comfortable solvency position

During FY22, the combined scale of operation registered a year-on-year growth of around 23% in the TOI to ₹943.40 crore majorly driven by higher capacity utilisation despite capacity augmentation during the year as well as higher sales realisation of various products, such as chilli powder and coriander powder.

During FY22, the PBILDT margin declined to 12.40% from 14.15% in FY21 on account of increase in the raw material cost and expenses incurred towards repair and maintenance of machineries under KI. Following the same, the profit after tax (PAT) margin also declined from 7.79% in FY21 to 6.48% during FY22 despite similar capital charges. During 9MFY23, the group has registered a combined sales of around ₹850 crore and is expected to achieve a turnover of more than ₹1,000 crore in FY23.

As on March 31, 2022, the overall gearing though deteriorated remained comfortable at 0.76x as against 0.61x as on March 31, 2021. The deterioration was owing to the higher utilisation of working capital borrowings and additional debt availed for the ongoing capex. Furthermore, the debt coverage continues to remain comfortable with PBILDT interest coverage of 12.40x for FY22 (P.Y.: 12.98x) and TD/GCA of 1.79x as at the end of FY22 (P.Y.: 1.19x). With the debt-funded capex, CARE Ratings expects the solvency position to deteriorate marginally in the near term.

Comfortable working capital cycle of the group

The operating cycle of the group remained comfortable in the range of 55 days to 65 days though the average inventory days remains high in the range of 90 days to 120 days due to seasonal availability of raw materials especially raw chilli which is procured during the month of January to May every year and stored throughout the year. However, CARE Ratings notes that the collection days remained comfortable below 20 days, and the creditors days in 45 days to 55 days offsetting the impact of high inventory to the sales period. We expect the operating cycle to remain comfortable in the medium term

Experienced promoters

The group was established in 1962 and is jointly spearheaded by Raj Kumar Chordia, Vishal Chordia and Anand Chordia as partners who handle the day-to-day operations of the group. The partners have long experience in the food industry. Over a period, the group has established itself as one of the leading players in the processed food industry in the state of Maharashtra. The group has also moved up the value chain from being a supplier of various spices to be a seller of spice mixes and instant mixes.

Established distribution network and diversified product portfolio

The group has strong distribution network throughout Maharashtra and Karnataka, apart from its presence in Rajasthan, Madhya Pradesh, Goa, Gujarat, Uttar Pradesh, Chhattisgarh and Andhra Pradesh. It has around 1400 distributors and majority of the revenue (more than 95%) is generated from distributors.

The group's product portfolio include pure spices, blended spices (including mixed spices and instance mixes), ketchup, mint products and fennel seeds. The group has a product base of around 440 products, and it manufactures around 2,250 different sizes under the spices segment. Diversified product portfolio shields the group from significant deterioration in the risk profile owing to low demand from any product.

Key weaknesses

Geographical concentration risk

The revenue of the group is primarily generated from the Maharashtra and Karnataka region. PMW generates highest revenue from Maharashtra (around 90%), while KI generates maximum revenue from Karnataka (around 80%). Considering the PAN India markets, the market share of the group is very limited.

Presence in fragmented industry

The spice industry is highly fragmented due to low entry barriers. Hence, the group faces competition from organised as well as unorganised players. Within the organised sector, it faces competition from many established players, such as Eastern Condiments Private Limited, Sunrise Foods Private Limited, MDH Spices, Everest Spices, Catch Foods, Mother's Recipe, Ramdev, Badshah masala, etc. High competition within the industry limits the ability of the concern to transfer increasing prices of raw materials as it involves the risk of becoming less competitive. The ability of the group to sustain its overall business profile amidst intense competition remains critical from the credit perspective.

Project execution risk

PMW is in process of expanding its installed capacity, and increased its capacity by 7600 MTPA in FY22. Currently, the firm is undertaking capacity augmentation project at Bholi, Satara. The total cost of the project is estimated at ₹185 crore and is proposed to be funded by term loan of ₹130 crore and remaining through internal accruals. The project will be executed in two phases. Phase-I includes setting up civil construction, while Phase-II includes installation of machineries. Phase-I and Phase-II of the

project are expected to be completed by FY24 and FY25, respectively. Timely completion of the project without any cost overrun will be crucial for achieving the envisaged benefits.

Vulnerability to fluctuation in prices of raw material
The raw materials required for the production of various spices are agro-based commodities like garlic, chilli, turmeric, coriander, raw mangoes, cloves, salt and cardamom. The profitability of the group is vulnerable to any adverse movement in the prices of the raw materials, which are seasonal in nature. The ability of the group to maintain consistent profitability margin and manage competition within the industry remains key rating monitorable.

Constitution as a partnership firm
Both the firms are partnership firms managed by the Chordia family. Due to the partnership nature of constitution, they are exposed to the risk of withdrawal of capital by the partners as well as long-term existence of business operations under the firm. As a policy, the partners have been withdrawing capital on regular basis from PMW. Change in the constitution to private limited or limited company will be viewed favourably from credit rating perspective.

Liquidity: Strong
The liquidity is strong as characterised by sufficient cushion in gross accruals vis-à-vis repayment obligations and moderate unencumbered cash and bank balance of ₹8.62 crore as on March 31, 2022. The expected GCA for FY23 is around ₹70 crore as against the debt repayment obligation of around ₹17 crore. Furthermore, the working capital limits of PMW and KI are utilised to the extent of around 50-60%. The unutilised credit lines provide additional cushion to the liquidity.

Applicable criteria
Policy on default recognition
CARE Ratings' criteria on consolidation & combined approach
Financial Ratios – Non financial Sector
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Credit Watch
Short Term Instruments
Manufacturing Companies
Policy on Withdrawal of Ratings

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Fast Moving Consumer Goods	Fast Moving Consumer Goods	Food Products	Other Food Products

PMW was formed as a partnership firm in 1962. The firm belongs to the Chordia Group of Pune and is engaged in the manufacturing of packaged spices with an installed capacity of 44300 metric ton per annum, along with the trading of Papad and pickles. The products are marketed primarily under six brands, namely: Suhana, Ambari, Sarvam, Toofan, Pravin, and Navin.

Brief Financials - Combined (₹ crore)	March 31, 2021 (UA)	March 31, 2022 (UA)	9MFY23 (UA)
Total operating income	745.23	943.28	850.00
PBILDT	108.68	116.86	Not Available
PAT	59.69	61.01	
Overall gearing (times)*	0.61	0.76	
Interest coverage (times)	12.98	12.61	

UA: Un-Audited; Note: 'the above results are the latest financial results available'
*Unsecured loan subordinated to bank debt are treated as quasi equity

Brief Financials - Standalone (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	9MFY23 (UA)
Total operating income	715.78	888.98	825.58
PBILDT	106.44	116.90	117.03
PAT	56.78	62.07	Not Available
Overall gearing (times)*	0.69	0.80	Not Available
Interest coverage (times)	12.95	12.59	11.43

A: Audited; Note: 'the above results are the latest financial results available'
*Unsecured loan subordinated to bank debt are treated as quasi equity

Status of non-cooperation with previous CRA: Nil

Any other information: Not applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of the covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of the various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	160.50	CARE A-; Stable
Fund-based - LT-Cash Credit		-	-	-	20.00	CARE A-; Stable
Fund-based - LT-Term Loan		-	-	January 2028	117.64	CARE A-; Stable
Non-fund-based - ST-Bank Guarantee		-	-	-	2.00	CARE A2
Non-fund-based - ST-Forward Contract		-	-	-	0.00	Withdrawn

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Term Loan	LT	117.64	CARE A-; Stable	1)CARE A-; Positive (11-May-22) 2)CARE A-; Positive (06-Apr-22)	1)CARE A-; Stable (01-Apr-21)	-	1)CARE A-; Stable (30-Mar-20)
2	Non-fund-based - ST-Forward Contract	ST	-	-	-	-	-	1)Withdrawn (30-Mar-20)
3	Fund-based - LT-Cash Credit	LT	160.50	CARE A-; Stable	1)CARE A-; Positive (11-May-22) 2)CARE A-; Positive (06-Apr-22)	1)CARE A-; Stable (01-Apr-21)	-	1)CARE A-; Stable (30-Mar-20)

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
4	Non-fund-based - ST-Bank Guarantee	ST	2.00	CARE A2	1)CARE A2 (11-May-22) 2)CARE A2 (06-Apr-22)	1)CARE A2 (01-Apr-21)	-	1)CARE A2 (30-Mar-20)
5	Non-fund-based - ST-Forward Contract	ST	-	-	1)CARE A2 (11-May-22) 2)CARE A2 (06-Apr-22)	-	-	-
6	Fund-based - LT-Cash Credit	LT	20.00	CARE A-; Stable				

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities: Not applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - ST-Bank Guarantee	Simple
4	Non-fund-based - ST-Forward Contract	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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About us:

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