Parisons Foods Private Limited
July 06, 2023

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	2.80 (Reduced from 4.00)	CARE BBB-; Stable	Reaffirmed
Short Term Bank Facilities	135.00	CARE A3	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers
The ratings assigned to the bank facilities of Parisons Foods Private Limited (PFPL) continue to derive strength from the long track record and experience of the promoters in the food industry, established market position in the state of Kerala and strong distribution network with presence in both wholesale and retail space. The ratings also factor in the satisfactory operational performance during FY23 (refers to the period April 01 to March 31) and comfortable capital structure.
The ratings are, however, constrained by thin profitability margins exposed to volatility in commodity prices and exchange rate fluctuations, presence in competitive and regulated industry with revenues concentrated to the state of Kerala.

Rating sensitivities: Factors likely to lead to rating actions
Positive factors
- Consistent growth in sales volumes with operating margin of 5% or above on a sustained basis.
- Improvement in total outside liabilities (TOL)/tangible net worth (TNW) below 3x.

Negative factors
- Deterioration in overall gearing above 2.5x.
- Decline in operating margins below 2% on a continuous basis.
- Any significant deterioration in the liquidity profile or debt coverage indicators.

Analytical approach: CARE Ratings Limited (CARE Ratings) has taken a combined view of three entities in the group, viz., Parisons Agrotech Private Limited, Parisons Rollerflour Mills Private Limited and Parisons Foods Private Limited, herein after referred to as "Parisons Group" as all the three are involved in similar line of business, i.e., manufacturing of wheat products and edible oil, with common management and business synergies. The three companies have been combined on account of the largest share of the total group turnover.

Outlook: Stable
CARE Ratings believes that the company will continue to benefit from a strong presence in the retail and wholesale segment in Kerala and diverse customer base.

Detailed description of the key rating drivers
Key strengths
Long track record and experience of promoters
The Parisons Group is a closely-held family-run business, based out of Calicut, Kerala, and managed by four brothers, namely, N K Mohammed Ali, N K Ashraf, N K Khalid and N K Haris. Started as a trading outlet in the business hub of Malabar in 1982 the group started its first manufacturing unit in 1991 and gradually expanded to around eight units under the edible oil and flour mill processing. The group also diversified their activities into Infrastructure Development and Leasing, Plantations and lately to Tourism. The vast experience of the promoters has facilitated long-term relationships with vendors and suppliers, thereby enabling them to enjoy on-time supply and trade discounts. The management is ably assisted by a team of professionals with vast experience in their functional areas of production, marketing and finance.

Established market position in the state of Kerala
The Group's first manufacturing unit was setup in the year 1992 under Parisons Roller Flour Mills Private Limited in West Hill, Calicut. Subsequently, the group expanded gradually by acquiring several flour mills as well as by taking over sick and ailing units and making them viable. The group has eight companies in flour mill and edible oil division with six companies in the flour mill division and two in the edible oil division. The units of these companies are strategically spread across different districts of Kerala,

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

thereby creating a presence in all the major districts. Furthermore, the group has also entered into cake mix segment during FY23, apart from edible oil and wheat products.

Strong distribution network with brand presence in both wholesale and retail space

The group has a strong distribution network of more than 1,200 distributors spread across Kerala and Tamil Nadu dealing through the brand names, "Liberty" (meant for institutional customers) and "Aditi" (meant for retail consumers). There is a distinct supply chain for both the brands, with 900 distributors dealing in "Liberty" brand for targeting the institutional customers primarily in the "Horeca" segment and 120 distributors dealing in "Aditi" brand for targeting the retail consumers through supermarkets and retail chains. During FY23, wholesale sales contribute to around 44% of the total operating income (TOI), while the retail sales stood at 56%. The group has around 11 warehouses which includes seven in Kerala, one each in Coimbatore and Puducherry, and one each in Mangalore and Mysore through which the distribution for both is carried out. In addition to the distributors, the group also sells its products directly to hotels and catering services, which constitutes approximately 5% of the sales.

Satisfactory operational performance during FY23

Edible oil accounts for almost 65%-70% of the revenue of the group followed by wheat flour accounting for 15%-20%. In addition to this, the group also trades in other agro commodities, such as tea, sugar and other bakery products albeit in small scale. The operating income of the group increased by 7% from ₹1,593 crore in FY22 to ₹1,702 crore in FY23 (Prov). Though the sales volume increased by 22% for edible oil and 12% for wheat products in FY23, the overall sales realisation moderated in both edible oil and wheat segment on account of ease in inflation, thereby restricting the revenue growth to 7%.

Moderate capital structure

The capital structure of the group continues to be comfortable, marked by overall gearing, of 1.75x as on March 31, 2023 (Prov.) (PY: 1.44x) with a healthy net worth base of ₹153 crore as on March 31, 2023. The overall debt of the group primarily consists of Buyers Credit with low dependence on fund-based working capital limits.

Key weaknesses

Thin profitability margins exposed to volatility in commodity prices and exchange rate fluctuations

The profit margins of the group have been usually thin at an average PBILDT of 2%-2.5% and highly susceptible to volatility in raw material prices. Due to the commoditised and agro nature of products, the raw material prices highly depend on the volume of crop production which in turn depends to a considerable extent on the climatic conditions. The group imports major part of its edible oil requirement from Indonesia and Malaysia, while the wheat requirements are met through domestic supply. The dependence on imports also exposes the margins to exchange rate fluctuations although the group is in the practice of partly hedging the exposure through forward contracts.

Competitive and regulated industry with revenue concentrated in the state of Kerala

The group majorly caters to the markets of Kerala followed by Tamil Nadu and Karnataka. It faces intense competition in both its wholesale and retail segment business from other industry players including large fast-moving consumer goods (FMCG) players who have a nation-wide distribution chain as well as small regional players. This limits the pricing power and resultant profitability of the industry players in a market which is highly price sensitive. The government policies from time to time with respect to agriculture sector and imports also have a considerable effect on the industry. However, with increase in brand awareness, health consciousness and penetration of organised retail, the size of the branded edible oil industry is likely to increase, which would provide more pricing power to the mid players.

Liquidity: Adequate

The liquidity stood adequate characterised by sufficient cushion in expected accruals in the range of ₹25-30 crore vis-à-vis repayment obligations of about ₹10.21 crore in FY24. The group mainly relies on letter of credit limits of 90 days for the import of raw materials. Furthermore, the LCs are also topped up by buyers' credit for further period of 90 days. The credit period allowed to the distributors is around 15-20 days credit in the wholesale segment and cash and carry basis for the retail segment. This keeps the operating cycle thin at 25-35 days. The average utilisation of its fund-based cash credit limits stood low at 15%-20% during the last 12 months ended May 2023, whereas non-fund-based limits utilisation stood at 90%-95%. The group also has sufficient buffer available in the form of cash balance of ₹19.92 crore as on March 31, 2023.

Applicable criteria

Policy on default recognition
Consolidation
Financial Ratios – Non financial Sector

[Liquidity Analysis of Non-financial sector entities]
[Rating Outlook and Credit Watch]
[Short Term Instruments]
[Manufacturing Companies]
[Wholesale Trading]

About the company and industry

Industry classification

Macro-Economic Indicator	Sector	Industry	Basic Industry
Fast Moving Consumer Goods	Fast Moving Consumer Goods	Agricultural Food & other Products	Edible Oil

Parison Foods Private Limited (PFPL) was incorporated in the year 1995, engaged in processing and selling of edible oils and speciality fats, viz., vanaspati having its manufacturing facilities in Calicut and Ernakulam at the installed capacity of 300TPD refinery, 300TPD fractionation, 100TPD interesterification, and 50TPD of oil expelling. The other major companies in the group include Parisons Foods Private Limited (PFPL) engaged in processing and selling of edible oils and speciality fats, and Parisons Roller Flour Mills Private Limited (PRFM) engaged in milling and production of wheat and its related products. The operations of the group are managed by N K Mohammed Ali, N K Ashraf, N K Khalid and N K Haris.

Combined financials:

Brief Financials (₹ crore)	31-03-2021 (A)	31-03-2022 (A)	31-03-2023 (P)
Total operating income	1,085.22	1,270.28	1,284.63
PBILDT	31.74	11.20	11.32
PAT	18.64	6.28	3.04
Overall gearing (times)	2.81	1.34	0.11
Interest coverage (times)	7.76	3.28	2.94

A-Audited; P – Provisional Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: ICRA has conducted the review on the basis of best available information and has classified PFPL as "Non-Cooperating" vide its press release dated September 30, 2022.

Any other information: Not applicable

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

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

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	June 2027	2.80	CARE BBB-; Stable
Non-fund-based - ST-Letter of credit		-	-	-	25.00	CARE A3

Non-fund-based - ST-Letter of credit		-	-	-	110.00	CARE A3

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 2023-2024	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
1	Non-fund-based - ST-Letter of credit	ST	110.00	CARE A3	-	1)CARE A3 (26-Jul-22)	-	-
2	Fund-based - LT-Term Loan	LT	2.80	CARE BBB-; Stable	-	1)CARE BBB-; Stable (26-Jul-22)	-	-
3	Non-fund-based - ST-Letter of credit	ST	25.00	CARE A3	-	1)CARE A3 (26-Jul-22)	-	-

*Long term/Short term.

Annexure-3: Detailed explanation of 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-Term Loan	Simple
2	Non-fund-based - ST-Letter of credit	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:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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