Pravin Masalewale

March 28, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long-term bank facilities	347.28 (Enhanced from 298.14)	CARE A-; Stable	Reaffirmed
Short-term bank facilities	20.00	CARE A2	Assigned
Short-term bank facilities	2.00	CARE A2	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

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

However, these strengths are constrained by susceptibility of margins to fluctuating raw material prices, project execution risk associated with the ongoing capacity augmentation project, presence in a fragmented industry, geographical concentration risk, and partnership constitution of the firm limiting financial flexibility.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Substantially improving operational profile, thus increasing the total operating income (TOI) to above ₹1,200 crore with profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin above 15% on a sustained basis.
- Retaining net profit in the business by more than 75%, thus improving the net worth and capital structure.

Negative factors

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

Analytical approach: Combined

CARE Ratings Limited (CARE Ratings) has taken a combined view of two entities of the Suhana group – PMW and KI owing to managerial and financial linkages. Both entities are engaged in a similar line of business. The table below provides information about the profit/loss sharing pattern in both entities as on March 31, 2023:

Name of Partner	Percentage of Profit/Loss-sharing in PMW	Percentage 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 stable outlook reflects that on a combined basis, the firms are likely to sustain overall business performance due to the established brand and benefits accruing from diversified product portfolio, while maintaining comfortable financial risk profiles.

Detailed description of key rating drivers

Key strengths

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

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', and 'Navin'. Products are sold under the above brand names depending on pricing and quality of spices. 'Suhana' continues to be among the leading brands in the regular spices segment in the Indian market, particularly in the Maharashtra region.

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

Financial risk profile with growing scale of operations, moderate profitability levels, and comfortable solvency position
In FY23 (FY refers to April 01 to March 31), the combined scale of operations registered about a 16% y-o-y growth in TOI to ₹1,093.10 crore, mainly driven by higher sales realisations of products such as blended spices powder, chilli powder, and coriander powder. PBILDT margin slightly declined to 11.46% (PY: 12.39%) due to increasing promotional activities in and outside India. Following the same, the profit-after-tax (PAT) margin also declined from 6.48% in FY22 to 5.49% in FY23.

As on March 31, 2023, overall gearing, although deteriorated, was comfortable at 0.95x as against 0.76x as on March 31, 2022. It deteriorated due to higher utilisation of working capital borrowings and additional debt availed for the ongoing capex. Debt coverage remains comfortable with a PBILDT/interest coverage of 8.34x for FY23 (PY: 12.40x) and TD/GCA of 2.33x as on March 31, 2023 (PY: 1.79x). With the debt-funded capex, CARE Ratings expects the solvency position to deteriorate marginally in the near term.

Group's comfortable working capital cycle
The group's operating cycle remained comfortable at about 60-70 days in FY23, although the average inventory days remains high at about 90-120 days due to the seasonal availability of raw materials, especially raw chilli, which is procured during January to May every year and stored throughout the year. However, CARE Ratings notes that collection days remained comfortable below 20 days in FY23, and creditors days at 40-55 days, offsetting the impact of high inventory to the sales period. CARE Ratings expects the operating cycle to be comfortable in the medium term.

Established distribution network and diversified product portfolio
The group has a 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 about 1,400 distributors, from whom majority of the revenue (more than 95%) is generated.

The group's product portfolio includes pure spices, blended spices (including mixed spices and instance mixes), ketchup, mint products, pickle and fennel seeds. It has a product base of about 500 products and manufactures about 1,466 different sizes under the spices segment. A diversified product portfolio shields the group from a significantly deteriorating risk profile owing to low demand from a product.

Key weaknesses
Vulnerability to fluctuating raw material prices
Raw materials required for producing spices are agro-based commodities such as garlic, chilli, turmeric, coriander, raw mangoes, cloves, salt, and cardamom. The group's profitability is vulnerable to adverse movements in prices of raw materials, which are seasonal in nature. The group's ability to maintain consistent profitability margins and manage competition within the industry is key rating monitorable.

Project execution risk
The firm is undertaking a capacity augmentation project at Bholi, Satara. The project's total cost is estimated at ₹200 crore, proposed to be funded by term loan of ₹155.50 crore and the balance through internal accruals. The project will be executed in two phases; Phase-I includes setting up civil construction while Phase-II includes installing machinery. Phase-I has been completed in 9MFY24, with work on Phase-II having commenced and expected to be completed by Q3FY25. Completing the project on time, without cost overruns, will be crucial for achieving the envisaged benefits.

Presence in a fragmented industry

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

Geographical concentration risk

The group's revenue is primarily generated from Maharashtra and Karnataka. PMW generates the highest revenue from Maharashtra (about 90%), while KI generates maximum revenue from Karnataka (about 70%). Considering pan-India markets, the group's market share is limited.

Constitution as a partnership firm

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

Liquidity: Strong

Liquidity is strong, characterised by sufficient cushion in gross accruals as against repayment obligations and moderate unencumbered cash and bank balance of ₹4.85 crore as on March 31, 2023. The expected GCA for FY24 is about ₹80-90 crore as against debt repayment obligations of about ₹21 crore. Working capital limits of PMW and KI are utilised at about 40-50%. The unutilised credit lines provide an additional cushion to the liquidity.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

Consolidation
Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Short Term Instruments

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. It manufactures packaged spices with an installed capacity of 49,700 metric tonne per annum (MTPA), and trades papad and pickles. Products are mainly marketed under six brands – Suhana, Ambari, Sarvam, Toofan, Pravin, and Navin.

Brief Financials – Combined (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	9MFY24 (UA)
Total operating income	943.09	1093.10	Not available
PBILDT	116.98	125.23	
PAT	61.13	60.01	
Overall gearing (times)*	0.76	0.95	
Interest coverage (times)	12.61	8.34	

A: Audited; UA: Unaudited. Note: These are latest financial results available.
*Unsecured loan subordinated to bank debt are treated as quasi-equity.

Brief Financials – Standalone (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	9MFY24 (UA)
Total operating income	888.67	1076.13	Not available
PBILDT	116.90	122.84	
PAT	62.07	58.67	
Overall gearing (times)*	0.80	1.05	
Interest coverage (times)	12.59	8.37	

A: Audited; UA: Unaudited. Note: These are 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 last three years: Please refer to Annexure-2

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

Complexity level of 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-Cash credit		-	-	-	90.50	CARE A-; Stable
Fund-based - LT-Cash credit		-	-	-	36.00	CARE A-; Stable
Fund-based - LT-Term loan		-	-	31-01-2028	220.78	CARE A-; Stable
Fund-based - ST-Working capital demand loan		-	-	-	20.00	CARE A2
Non-fund-based - ST-Bank guarantee		-	-	-	2.00	CARE A2

Annexure-2: Rating history for 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	Fund-based - LT-Term loan	LT	220.78	CARE A-; Stable	-	1)CARE A-; Stable (15-Mar-23) 2)CARE A-; Positive (11-May-22) 3)CARE A-; Positive (06-Apr-22)	1)CARE A-; Stable (01-Apr-21)	-
2	Fund-based - LT-Cash credit	LT	90.50	CARE A-; Stable	-	1)CARE A-; Stable (15-Mar-23) 2)CARE A-; Positive (11-May-22) 3)CARE A-; Positive (06-Apr-22)	1)CARE A-; Stable (01-Apr-21)	-
3	Non-fund-based - ST-Bank guarantee	ST	2.00	CARE A2	-	1)CARE A2 (15-Mar-23) 2)CARE A2	1)CARE A2 (01-Apr-21)	-

						(11-May-22) 3)CARE A2 (06-Apr-22)		
4	Non-fund-based - ST-Forward contract	ST	-	-	-	1)Withdrawn (15-Mar-23) 2)CARE A2 (11-May-22) 3)CARE A2 (06-Apr-22)	-	-
5	Fund-based - LT-Cash credit	LT	36.00	CARE A-; Stable	-	1)CARE A-; Stable (15-Mar-23)	-	-
6	Fund-based - ST-Working capital demand loan	ST	20.00	CARE A2				

LT: Long term; ST: Short term; LT/ST: Long term/short term.

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

Annexure-4: Complexity level of 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	Fund-based - ST-Working capital demand loan	Simple
4	Non-fund-based - ST-Bank guarantee	Simple

Annexure-5: Lender details

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

Note on complexity levels of 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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