

## Paras Nutritions Private Limited

July 17, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	103.47	CARE BB+; Stable; ISSUER NOT COOPERATING*	Revised from CARE BBB-; Negative and moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

\*Issuer did not cooperate; based on best available information.

### Rationale and key rating drivers

CARE Ratings Ltd. has been seeking information from Paras Nutritions Private Limited (PNPL) to monitor the ratings vide email communications/letters dated July 02, 2024, June 27, 2024, and June 19, 2024, among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which, however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. The rating on PNPL's bank facilities will now be denoted as CARE BB+; Stable; ISSUER NOT COOPERATING. The ratings have been revised on account of non-availability of requisite information due to non-cooperation by PNPL. CARE views information availability risk as a key factor in its assessment of credit risk.

**Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above ratings.**

**Analytical approach:** Standalone

**Outlook:** Stable

### Detailed description of the key rating drivers:

At the time of last rating on June 28, 2023 the following were the rating strengths and weaknesses:

#### Key weaknesses

##### Leveraged capital structure with moderate debt coverage indicators

Capital structure of the company is leveraged represented by overall gearing of 2.17 times as on March 31, 2023 deteriorated from 1.92 times as on March 31, 2022, the increased debt position is largely attributed towards higher working capital utilization and corporate term loan availed by the company for inventory procurement and payment to creditors. Interest coverage ratio also moderated from 4.25 times in FY22 to 2.91 times in FY23 due to increased finance cost while TD/GCA stood at 7.93 times as on March 31, 2023 moderated from 5.85 times as on March 31, 2023.

##### Working capital intensive operations owing to large inventory requirements

The operations of PNPL are working capital intensive owing to large inventory requirements as the company is required to procure adequate quantity of key input material i.e. Maize, rice bran etc during harvest season (around June -July) thereby ensuring better pricing and smooth execution of production throughout the year which would be translated into future growth of the company. Operating cycle of the company is 67 days in FY23 slightly moderated from 56 days in FY22; on account of higher inventory maintained by the company reflecting in average inventory period of 65 days in FY23 (PY: 59 days). Creditors days stood around 15 days as on March 31, 2023 compared to 21 days as on March 31, 2022.

##### Highly fragmented and competitive nature of animal feed industry with low entry barriers

Low capital intensity and low entry barriers facilitate entry of unorganised players, leading to high competition and fragmentation. PNPL faces stiff competition from both organized and unorganized players owing to limited entry barriers and commoditized nature of business. The industry is highly competitive owing to presence of numerous market players. Limited value addition coupled with heightened competition results in limited pricing flexibility leading to thin profit margins for the industry. However, the risk

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

would be partially mitigated as the milk producers have now started replacing the traditional feed with more nutritionally balanced compound feed which will significantly reduce the market share of many unorganized players and thus in future the industry could be dominated by fewer players who will look into reducing their costs and provide high quality feed at the same time using advanced technologies.

**Limited control on product prices and exposure to raw material price volatilities**

The company's business is highly raw material intensive and raw material cost constituting around 80-85% of the cost of sales. Maize is the key input material and the primary source of energy in cattle feed apart from Soya, De Oiled Rice Bran (DORB), vitamins etc. These materials are available domestically and the company procures the same through local mandis during the season and also available through brokers/dealers. However, the availability and pricing of primary raw material being agricultural produce is affected by external factors such as rainfall levels, production level, sowing patterns etc., thereby exposing PSPL's profitability to volatility in raw material prices like other players in the industry.

**Project implementation and stabilization risk**

The company is in process of setting up a greenfield cattle feed project Karnal, Haryana with total project cost is Rs. 40 crores including debt of Rs. 30 crores and Rs. 10 crores from internal accruals. Expected completion & commercial production would be in January 2024. Going forward, timely completion of the project with no cost overrun shall be critical from credit perspective.

**Key strengths****Experienced promoters having established track record of operations**

PNPL is promoted by Mr. Paras Budhiraja (Managing Director) who has more than a decade of experience in Agri-based industry through his association with PSPL and PNPL. He is involved in the overall business operations and looks after the day-to-day operations of the company. He is also ably supported by his father Mr. Vinay Budhiraja (Director), his mother Mrs. Raj Budhiaraja (Director) and his wife Ms. Akshita Budhiraja (Director) who have vast industry experience and look after the overall operations of the company.

**Healthy growth in scale of operations with sustained profitability margins**

PNPL reported healthy growth of 28.29% in total operating income to Rs. 430.12 crores in FY23 over Rs. 335.25 crores in FY22 mainly derived from ~17% growth in sales volumes with rising requirement of quality dairy and meat products and improvement in sales realization. The PBILDT margins of the company remained moderate at around 4.53% in FY23 (PY: 4.57%) owing to low value addition in company's products and higher cost maize consumed during the year. Further, the PAT margins of the company reported at 1.86% in FY23 moderated from 2.24% in FY22 mainly on account of increased interest cost.

**Liquidity: Adequate**

Liquidity is marked with expected cash accruals of Rs. 14.37 crores in FY24 against scheduled repayment obligations of Rs. 4.41 crores and also has a commitment of Rs. 7-8 crores towards ongoing capex to be incurred during FY24. The liquidity is further aided by headroom available in working capital lines to the tune of Rs. 13 crores as of May 2023 and in WHR limit of close to Rs. 10 crores as of April 2023 to meet its incremental working capital needs over the near term. The company also have undisbursed term loan of Rs. 9.70 crores from Axis Bank (out of sanctioned limit of Rs. 15 crores) for project related capex requirements and undisbursed working capital line of Rs. 2 crores for Karnal plant.

**Applicable criteria**

[Definition of Default](#)

[Financial Ratios – Non-financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Policy in respect of non-cooperation by issuers](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

## About the company and industry

### Industry classification

Macro-Economic Indicator	Sector	Industry	Basic Industry
Fast Moving Consumer Goods	Fast Moving Consumer Goods	Food Products	Animal Feed

Paras Nutritions Private Limited (PNPL) was incorporated in the year 2011 by Mr. Paras Budhiraja (Managing Director) and is engaged in the manufacturing of cattle feed in pellet and mash form. PNPL operates one manufacturing unit at Moga, Punjab with an aggregate installed capacity of 300 tons per day as on March 31, 2023 (PY: 300 TPD). PNPL has a group concern- Paras Spices Private Limited [rated CARE BBB+; Negative] engaged in processing of spices, seasonings, etc.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)
Total operating income	335.25	430.12
PBILDT	15.33	19.50
PAT	7.51	8.01
Overall gearing (times)	1.92	2.17
Interest coverage (times)	4.25	2.91

A: Audited; Note: 'the above results are latest financial results available'

**Status of non-cooperation with previous CRA:** Not Applicable

**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		-	-	November 2027	19.97	CARE BB+; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Working Capital Limits		-	-	-	83.50	CARE BB+; Stable; ISSUER NOT COOPERATING*

\*Issuer did not cooperate; based on best available information.

**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 2024-2025	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
1	Fund-based - LT-Term Loan	LT	19.97	CARE BB+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BBB-; Negative (28-Jun-23)	1)CARE BBB-; Stable (07-Jun-22)	1)CARE BBB-; Stable (08-Jun-21)
2	Fund-based - LT-Working Capital Limits	LT	83.50	CARE BB+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BBB-; Negative (28-Jun-23)	1)CARE BBB-; Stable (07-Jun-22)	1)CARE BBB-; Stable (08-Jun-21)

\*Issuer did not cooperate; based on best available information.

LT: Long 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	Fund-based - LT-Working Capital Limits	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.

## Contact us

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### About us:

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