Pagro Frozen Foods Private Limited

January 02, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	79.18	CARE B+; Stable; ISSUER NOT COOPERATING*	Downgraded from CARE BB-; Stable and moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	0.82	CARE A4; ISSUER NOT COOPERATING*	Rating 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 Pagro Frozen Foods Private Limited to monitor the ratings vide e-mail communications/letter dated December 17, 2024, December 13, 2024, December 10, 2024, December 02, 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 Pagro Frozen Foods Private Limited's bank facilities will now be denoted as **CARE B+; Stable/CARE A4; ISSUER NOT COOPERATING*.**

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

The ratings have been revised on account of non-availability of requisite information due to non-cooperation by Pagro Frozen Foods Private Limited. CARE views information availability risk as a key factor in its assessment of credit risk. The ratings continue to factor in modest albeit growing scale of operations and elongated operating cycle. The ratings further continue to remain constrained on account of the project execution and stabilization risk, foreign exchange fluctuation risk, seasonality of the business with susceptibility of margins to vagaries of nature, highly competitive and fragmented nature of the industry with high level of government regulation. The ratings, however, continue to draw comfort from experienced promoters coupled with long track record of operations, moderate profitability margins, moderate capital structure and debt coverage indicators.

Analytical approach: Standalone

Outlook: Stable

Stable outlook reflects that the company will continue to benefit from long-standing experience of the promoters in the industry.

Detailed description of the key rating drivers:

At the time of last rating on November 10, 2023 the following were the rating strengths and weaknesses (Updated for information available from registrar of companies):

Key weaknesses

Modest, albeit growing scale of operations:

The scale of operations of the company has improved slightly marked by total operating income which stood at Rs. 118.86 crores during FY24 (refers to the period from April 01, 2023, to March 31, 2024) against Rs. 114.64 crore in FY23. Nevertheless, the scale remains modest, it limits the financial flexibility of the company in times of stress and deprives it of scale benefits.

Elongated operating cycle:

The operating cycle of the company stood elongated at 166 days in FY24 (PY: 172 days) on account of higher average inventory holding period. Due to the seasonality of business, the raw vegetables such as broccoli and spinach are not available throughout the year. To ensure the quantity, the company is required to stock adequate quantity of raw vegetables leading to an average inventory holding period of 217 days in FY24. The average collection period remains comfortable at 26 days in FY24. The company

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

purchases raw vegetables from domestic market and receives average credit period of around 2-3 months resulting in an average creditors' period of 76 days in FY24.

Project execution and stabilization risk:
PFFPL has undertaken a project for the processing of two additional products, viz. French fries and potato flakes at its existing plant located in Fatehgarh Sahib, Punjab. The total project cost required for the enhancement of existing capacity is approx. Rs. 42.00 crore which is to be funded through the bank debt of Rs. 29.00 crore and balance Rs. 13.00 crore through contributions from promoters. As of October 19, 2023, the project stood around 80% compete and will get fully complete by December 2023. As of October 19, 2023, the company has incurred a total project cost of Rs. 34.35 crore, which was funded through the bank debt to the tune of Rs. 21.35 crore and balance though the internal accruals and contributions from promoters. The trial run is expected by January 2024 and products will be out in market by February 2024 under the brand name of "Pagro". Therefore, the execution of the project within the envisaged time and cost remains crucial from the credit perspective. Moreover, the post project implementation risk in the form of stabilization and saleability risk associated with the products offered in the light of competitive nature of industry is yet to been seen.

Highly competitive and fragmented nature of the industry with high level of government regulations:
The cold storage industry is a highly fragmented industry wherein there is presence of a large number of players in unorganized and organized sectors. There are number of small and regional players catering to the same market which limits the bargaining power of the entities and exerts pressure on their margins. Also, the government intervenes in the market to keep a check on the prices to safeguard the interest of the farmers, which in turn limits the bargaining power of the buyers. However, the government also provides subsidies to the entities to encourage the demand in the industry.

Seasonality of business with susceptibility of margins to vagaries of nature:
PFFPL's operations are seasonal in nature as the company is in Agro-based business which is inherently dependent on the vagaries of nature. Lower agricultural output may have an adverse impact on the available raw material and its prices. Any sudden spurt in the raw material prices which might not be passed on to the end customers instantly on account of highly fragmented and competitive nature of the industry, leading to decline in profitability margins of the company.

Foreign exchange fluctuation risk:
PFFPL exports its products to countries like Japan, Philippines, Dubai, Doha, Qatar, Saudi Arabia etc. (export sales constituted around 15% of total operating income in FY24), while raw material procurement is done from the domestic market. With initial outlay in domestic currency and inflows in foreign currency, the company is exposed to volatility in foreign exchange rates. The company does not have any hedge policy in place, thus for the uncovered portion, the profitability margins of the company are exposed to volatility in foreign exchange rates. Moreover, any change in government policies, either domestic or international, is likely to affect the company's revenues. The earnings are also susceptible to strict regulatory policies relating to tariff barriers (custom duty), non- tariffs barriers (restriction on the quality of imports), anti- dumping duties, international freight rates and port charges.

Key strengths
Experienced promoters coupled with long track record of operations:
PFFPL started its commercial operations in the year 2012 and is currently being managed by Mr. Sartaj Singh Brar, Mr. Narinder Singh, Mr. Pawaninder Singh and Mr. Pranav Tripathi as its directors. All the directors have an industry experience of around two to four decades which they have gained through their association with the company and other regional entities engaged in similar business. The directors have an adequate acumen which is expected to help the company in the long run. Additionally, the directors are supported by a team of qualified and experienced staff.

Moderate profitability margins:
The profitability margins of the company stood moderate though improved marked by the PBILDT margin of 9.67% in FY24 vis-à-vis 8.08% in FY23 on account of decrease in the cost of goods sold. The PAT margin declined to 1.07% in FY24 from 1.90% in FY23 on the account of increase in the interest cost of the company.

Moderate capital structure and debt coverage indicators:
The capital structure of the company remains moderate with deterioration during FY24 reflected by long term debt equity ratio and overall gearing ratio of 0.83x and 1.89x respectively as on March 31,2024, as compared to 0.58x and 1.47x respectively as at March 31,2023. The deterioration was mainly on account of increase in total debt levels from Rs. 60.24 crores in FY23 to Rs. 82.99 crores in FY24.

Applicable criteria

Policy in respect of non-cooperation by issuers
Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Service Sector Companies
Short Term Instruments
Wholesale Trading

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Fast Moving Consumer Goods	Fast Moving Consumer Goods	Agricultural Food & other Products	Other Agricultural Products

PFFPL was incorporated in the year 2007 as a private limited company but commenced its commercial operation in the year 2012. The company is currently being managed by Mr. Sartaj Singh Brar, Mr. Narinder Singh, Mr. Pawaninder Singh, and Mr. Pranav Tripathi, as its director. The company is engaged in the processing of vegetables and providing cold storage services for vegetables like peas, corn, beans, carrot, cauliflower, spinach, potatoes, capsicum, etc. The company packages and sells these frozen vegetables to various manufacturers across all major Indian cities such as Ahmedabad, Mumbai, Chennai, Delhi, Kerala, Bangalore, etc., under its brand name "PAGRO". Further, the company exports its products to countries like Japan, Philippines, Dubai, Doha, Qatar, Saudi Arabia etc. The company is associated with some renowned customer base such as Tasty Bites, Vista Foods, Kohinoor foods, McCain India, etc. The company purchases the vegetables from open market. For the vegetables like broccoli, beans, spinach, carrot, corn, the company has contract farming arrangement in place to ensure quality.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	114.64	118.86
PBILDT	9.27	11.50
PAT	2.18	1.27
Overall gearing (times)	1.47	1.89
Interest coverage (times)	2.72	2.61

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: ICRA ratings has conducted the review and classified the ratings as "Not Cooperating" vide their press releases dated August 12, 2024, on account of their inability to carry out a review in the absence of requisite information.

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: 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 and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	46.56	CARE B+; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan		-	-	October 2033	32.62	CARE B+; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-Bank Guarantee		-	-	-	0.82	CARE A4; ISSUER NOT COOPERATING*

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

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 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	32.62	CARE B+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable (10-Nov-23) 2)CARE BB-; Stable (27-Oct-23) 3)CARE B+; Stable; ISSUER NOT COOPERATING* (21-Aug-23)	1)CARE B+; Stable; ISSUER NOT COOPERATING* (03-Jun-22)	-
2	Fund-based - LT-Cash Credit	LT	46.56	CARE B+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable (10-Nov-23) 2)CARE BB-; Stable (27-Oct-23) 3)CARE B+; Stable; ISSUER NOT	1)CARE B+; Stable; ISSUER NOT COOPERATING* (03-Jun-22)	-

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
						COOPERATING* (21-Aug-23)		
3	Non-fund-based - ST-Bank Guarantee	ST	0.82	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4 (10-Nov-23) 2)CARE A4 (27-Oct-23) 3)CARE A4; ISSUER NOT COOPERATING* (21-Aug-23)	1)CARE A4; ISSUER NOT COOPERATING* (03-Jun-22)	-

*Issuer did not cooperate; based on best available information.
LT: Long term; ST: 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	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 based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for 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.