Pravin Masalewale

February 22, 2019

Rating

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long term Bank Facilities	95.94 (reduced from 101.93)	**CARE A-;Stable (Single A minus; Outlook:Stable)**	**Reaffirmed**
Short term Bank Facilities	7.00	**CARE A2 (A Two)**	**Reaffirmed**
Total	**102.94 (Rs. One hundred and two crore and ninty four lakh only)**		

**Details of instruments/facilities in Annexure-1*

Detailed Rationale & Key Rating Drivers

The reaffirmation of the ratings to bank facilities of Pravin Masalewale (PMW) continue to derive strength from the long track record and experience of promoters in the spices business, established brand presence and established market presence throughout Maharashtra, wide distribution network across various states and diversified product portfolio and comfortable capital structure & moderate solvency indicators. The ratings also factors in improvement in profitability during FY18 (refers to the period between April 01 to March 31).

The ratings continue to be constrained by vulnerability of the margins to fluctuations in the prices of agro-based raw materials which are seasonal in nature, presence in the fragmented food processing industry, geographical concentration of revenue and partnership constitution of the firm limiting the financial flexibility.

Going forward, the ability of PMW to maintain consistent profitability margin and comfortable capital structure while managing the risk associated with raw material price fluctuation and competition within the industry are the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced of partners in manufacturing of Indian spices and processed food business

PMW is a partnership firm with Mr. Raj Kumar Chordia (Managing Partner), Mr. Vishal Chordia and Mr. Anand Chordia as partner who handle the day-to-day to operations of the firm. The partners have long experience in the food industry. Over a period the firm has established itself as one of the leading player in the processed food industry in the state of Maharashtra. The firm has also moved up the value chain from being just supplier of various spices to seller of spice mixes and instant mixes.

Strong brand name and established market position in Maharashtra

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

Diversified product portfolio

PMW's product portfolio is divided into segments like pure spices, blended spices (including mixed spices and instance mixes), papad and pickle. The firm has a huge product base of 275 products packaged in FY18 increased from 273 products during FY17 and 220 products during FY16, it manufactures more than 517 different sizes under the spices segment. Total revenue is diversified across said three categories namely: 1) single ingredient spices like chilli, turmeric and coriander, 2) specially blended spices and 3) instant mixes.

Financial risk profile marked by growth in total operating income, improvement in profitability levels and debt coverage indicators

PMW reported a decline in TOI on a y-o-y basis of 8.22% during FY18 to Rs. 526.98 crore as against Rs.574.19 crore during FY17 majorly driven by lower per kg sales realization of Chili turmeric and coriander powder on account of overall drop in prices of raw material which the entity has passed the same to the customers however with the time lag of 3 to 4 months. As a result of which during FY18, PBILDT margin grew by 247 bps and stood to 14.99% against 12.52% in FY17 led by

[1] *Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.*

reduced cost of raw materials consumed and other manufacturing expenses partially offset by increase in selling expenses. Interest expense was reduced on account of scheduled debt repayments and moderate cash credit utilization levels. Improved PBILDT margins led to higher PAT margins to 8.14% during FY18 as compared with 6.12% during FY17. Gross cash accruals (GCA) also stood increased to Rs.54.81 crore in FY18 as against Rs.46.27 crore in FY17.

Improved debt coverage indicators and liquidty

The debt profile consists of long term debt of Rs.33.87 crore and working capital utilization facilities of Rs.24.48 crore. The capital structure stood comfortable with long term debt to equity ratio and overall gearing at 0.45x and 0.60x as on March 31, 2018 as against 0.40x and 0.63x as on March 31, 2017 led by lower working capital utilization and accretion of major portion of profits to net-worth. PBILDT interest coverage also improved to 14.45x as on March 31, 2018.Further, any debt funded capex impacting the capital structure would be a key rating sensitivity.

Key Rating Weaknesses

Vulnerability to fluctuation in prices of agro-based input materials which are seasonal in nature.

Agro commodities like garlic, chilli, turmeric, coriander, cloves, salt and cardamom are the key raw material for the production of various spices. Due to seasonality of raw material profitability of the firm is vulnerable due to fluctuations in raw material prices and also due to commoditized nature of the business and even the processes involves limited value addition.

Geographical concentration of revenue from the state of Maharashtra

The revenue of the firm is primarily generated from the Maharashtra region which accounts for 81% of revenue in FY18 (84% in FY17). Considering the pan India markets, the market share of the firm is very limited and face intense competition from established players with strong presence throughout India.

Presence in the highly competitive and fragmented food processing industry

The firm faces competition from organized as well as unorganized players. Within the organized sector it faces competition from many established players at domestic level.

Constitution as a partnership firm

PMW is a partnership firm managed by the Chordia family. Due to the composition of the firm, it is exposed to the risk of withdrawal of capital by the partners as well as long-term existence of business operations under the firm. The partners had been withdrawing profit on regular basis. Any substantial withdrawals from capital account impacting the net worth and thereby the gearing levels would be a key rating monitorable.

Analytical approach: Standalone

Applicable Criteria

Criteria on assigning Outlook to Credit Ratings
Criteria for Short Term Instruments
CARE's Policy on Default Recognition
Financial ratios – Non-Financial Sector
CARE's methodology for manufacturing companies

About the Company:

Pravin Masalevale (PMW) was formed in 1962 located in Pune. PMW is a partnership firm, engaged in manufacture and sale of packaged spices and trading of papad and pickles. The firm is jointly spearheaded by three active partners Mr. Rajkumar Chordia (30%), his elder son, Mr. Vishal Chordia (30%) and younger son, Mr. Anand Chordia (30%) who manages the day to day operations of the firm and Mrs. Madhubala Chordia, wife of Mr. Rajkumar Chordia acts an active partner (10%). PMW has four manufacturing units, out of which three units are located in Maharashtra and one unit is located in AndhraPradesh.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	574.19	526.98
PBILDT	71.87	79.01
PAT	35.16	42.90
Overall gearing (times)	0.63	0.60
Interest coverage (times)	10.18	14.45

A: Audited

Status of non-cooperation with previous CRA: None

Any other information: Not Applicable

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

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

Analyst Contact:
Name: Leena Marne
Tel: 020- 4000 9019
Mobile: 7738003771
Email: leena.marne@careratings.com

About CARE Ratings:
CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer
CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments.
In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	October 2022	25.44	CARE A-; Stable
Non-fund-based - ST-Forward Contract	-	-	-	5.00	CARE A2
Fund-based - LT-Cash Credit	-	-	-	70.50	CARE A-; Stable
Non-fund-based - ST-Bank Guarantees	-	-	-	2.00	CARE A2

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
1.	Fund-based - LT-Term Loan	LT	25.44	CARE A-; Stable	-	1)CARE A-; Stable (22-Mar-18) 2)CARE BBB+; Positive (10-Apr-17)	1)CARE BBB+ (18-Apr-16)	1)CARE BBB (14-Apr-15)
2.	Non-fund-based - ST-Forward Contract	ST	5.00	CARE A2	-	1)CARE A2 (22-Mar-18) 2)CARE A3+ (10-Apr-17)	1)CARE A3+ (18-Apr-16)	1)CARE A3+ (14-Apr-15)
3.	Fund-based - LT-Cash Credit	LT	70.50	CARE A-; Stable	-	1)CARE A-; Stable (22-Mar-18) 2)CARE BBB+; Positive (10-Apr-17)	1)CARE BBB+ (18-Apr-16)	1)CARE BBB (14-Apr-15)
4.	Non-fund-based - ST-Bank Guarantees	ST	2.00	CARE A2	-	1)CARE A2 (22-Mar-18) 2)CARE A3+ (10-Apr-17)	1)CARE A3+ (18-Apr-16)	1)CARE A3+ (14-Apr-15)

CONTACT

Head Office Mumbai

Ms. Meenal Sikchi
Cell: + 91 98190 09839
E-mail: meenal.sikchi@careratings.com

Mr. Ankur Sachdeva
Cell: + 91 98196 98985
E-mail: ankur.sachdeva@careratings.com

Ms. Rashmi Narvankar
Cell: + 91 99675 70636
E-mail: rashmi.narvankar@careratings.com

Mr. Saikat Roy
Cell: + 91 98209 98779
E-mail: saikat.roy@careratings.com

CARE Ratings Limited
(Formerly known as Credit Analysis & Research Ltd.)
Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD
Mr. Deepak Prajapati
32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015
Cell: +91-9099028864
Tel: +91-79-4026 5656
E-mail: deepak.prajapati@careratings.com

BENGALURU
Mr. V Pradeep Kumar
Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.
Cell: +91 98407 54521
Tel: +91-80-4115 0445, 4165 4529
Email: pradeep.kumar@careratings.com

CHANDIGARH
Mr. Anand Jha
SCF No. 54-55,
First Floor, Phase 11,
Sector 65, Mohali - 160062
Chandigarh
Cell: +91 85111-53511/99251-42264
Tel: +91- 0172-490-4000/01
Email: anand.jha@careratings.com

CHENNAI
Mr. V Pradeep Kumar
Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.
Cell: +91 98407 54521
Tel: +91-44-2849 7812 / 0811
Email: pradeep.kumar@careratings.com

COIMBATORE
Mr. V Pradeep Kumar
T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.
Tel: +91-422-4332399 / 4502399
Email: pradeep.kumar@careratings.com

HYDERABAD
Mr. Ramesh Bob
401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.
Cell : + 91 90520 00521
Tel: +91-40-4010 2030
E-mail: ramesh.bob@careratings.com

JAIPUR
Mr. Nikhil Soni
304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.
Cell: +91 – 95490 33222
Tel: +91-141-402 0213 / 14
E-mail: nikhil.soni@careratings.com

KOLKATA
Ms. Priti Agarwal
3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.
Cell: +91-98319 67110
Tel: +91-33- 4018 1600
E-mail: priti.agarwal@careratings.com

NEW DELHI
Ms. Swati Agrawal
13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.
Cell: +91-98117 45677
Tel: +91-11-4533 3200
E-mail: swati.agrawal@careratings.com

PUNE
Mr.Pratim Banerjee
9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.
Cell: +91-98361 07331
Tel: +91-20- 4000 9000
E-mail: pratim.banerjee@careratings.com

CIN - L67190MH1993PLC071691