Pravin Masalewale

March 30, 2020

Ratings

Facilities*	Amount (Rs. crore)	Rating[1]	Rating Action
Long term Bank Facilities	143.88 (enhanced from Rs.95.94 crore)	**CARE A-; Stable (Single A Minus; Outlook: Stable)**	**Reaffirmed**
Short term Bank Facilities	2.00	**CARE A2 (A Two)**	**Reaffirmed**
Short-term Bank Facilities	-	**-**	**Withdrawn**
Total	**145.88 (Rs. One hundred forty five crore and eighty eight lakh only)**		

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

Detailed Rationale & Key Rating Drivers

The reaffirmation of ratings to bank facilities of Pravin Masalewale (PMW) continues to derive strength from the long track record and experience of promoters in the spices business, strong brand presence and established market position throughout Maharashtra, wide distribution network across various states, diversified product portfolio, improved scale of operations and comfortable capital structure. However, the ratings strengths are constrained due to 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.

Rating Sensitivities

Positive Factors

✓ Substantial improvement in the company's operational profile leading to increase in TOI by 20% on a sustained basis

Negative Factors

× Withdrawal of more than 70% of Net profit from business by the partners

× Any un-envisaged debt leading to significant deterioration in capital structure with overall gearing deteriorating beyond 1.25x and Total debt to GCA beyond 2.50x.

× Fall in PBILDT margin by 400bps.

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 markets and 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.

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

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 335 products in FY20 and it manufactures more than 1330 different sizes under the spices segment. The firm manufactures three categories of products namely: 1) Blended spices 2) single ingredient spices like chilli, turmeric and coriander, and 3) ready to use food items.

Established distribution network throughout Maharashtra and other states

PMW supplies its products both in Indian and international markets. The concern has strong distribution network in Maharashtra as well as other states of India. Within India it has appointed distributors throughout Maharashtra, Goa, Karnataka, Rajasthan, Madhya Pradesh, Gujarat, Uttar Pradesh, Chhattisgarh and Andhra Pradesh. In the international markets, PMW distributes the products in USA, Canada, South Africa, Kuwait, Australia, New Zealand, Oman, UK and Mauritius.

Increase in scale of operations with better profitability levels

PMW registered a growth in TOI on a y-o-y basis by 16.26% during FY19 to Rs.612.64 crore from Rs.526.98 crore during FY18 majorly driven by higher per kg sales realization of Chili powder by 17.05%, turmeric powder by 1.06%, blended spices powder by 10.82% and subsequent higher production and sales of these products. During FY19, the PBILDT margin remained stable at 15.00% despite increase in cost of raw materials consumed and other manufacturing expenses due to corresponding increase in sales realization. Also, PAT margin improved marginally by 53 bps to 8.67% during FY19 from 8.14% during FY18. Gross cash accruals (GCA) also increased to Rs.65.83 crore in FY19 as against Rs.54.81 crore in FY18.

Financial risk profile marked by improved capital structure and debt coverage indicators

The debt profile of PMW consists of long term debt of Rs.27.06 crore and working capital borrowings of Rs.27.25 crore. The capital structure stood comfortable with long term debt to equity ratio and overall gearing at 0.25x and 0.51x as on March 31, 2019 as against 0.35x and 0.60x as on March 31, 2018 led by repayments of term loan and accretion of profits reserves adding to net-worth. However, the PBILDT interest coverage ratio deteriorated to 12.79x during FY19 as against 14.45x during FY18 due to increased interest cost which was mainly on account of a new term loan for purchase of machinery and bank charges on account of closure of bank facilities of bank facilities from one bank and opening the same in other bank.

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 which involves limited value addition. Going forward, the ability of PMW to maintain consistent profitability margin and manage competition within the industry are the key rating monitorable.

Geographical concentration of revenue from the state of Maharashtra and presence in highly competitive and fragmented food processing industry

The revenue of the firm is primarily generated from the Maharashtra region which accounts for 87.43% of revenue in FY19 (87.85% in FY18). Considering the pan India markets, the market share of the firm is very limited and it faces intense competition from established players with strong presence throughout India. Moreover, 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. As a policy, partners have been withdrawing profits on regular basis. Any substantial withdrawals from capital account impacting the capital structure would be a key rating monitorable.

Liquidity: Adequate **-** Adequate liquidity characterized by sufficient cushion in gross accruals of Rs.65.83 crore in FY19 vis-à-vis repayment obligations of Rs.8.32 crore in FY20 (Rs.6.31 crores already paid as on January 31, 2020) and moderate unencumbered cash and bank balance of Rs.3.28 crore as on March 31, 2019 and Rs.0.31 crore and fixed deposits of Rs.7.00 crore as on January 31, 2020. The expected GCA for FY20 is Rs.71.40 crore vis-à-vis repayment obligations of Rs14.42 crore in FY21. The company's capex requirements are modular and are funded using debt, for which it had sufficient headroom, and partly by internal accruals. Its bank limits are utilized to the extent of ~32.34 hence unutilized credit lines provides extra comfort in meeting its daily working capital requirements. Also out of total principal repayments of Rs.8.32 crore.

Analytical approach: Standalone
Applicable Criteria
Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition
CARE's Criteria for Short Term Instruments
Financial ratios – Non-Financial Sector
Rating Methodology -Manufacturing Companies

About the Company
Pravin Masalewale (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 Andhra Pradesh.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	526.98	612.65
PBILDT	79.01	9.90
PAT	42.90	53.13
Overall gearing (times)	0.60	0.51
Interest coverage (times)	14.45	12.79

A: Audited

Status of non-cooperation with previous CRA: Not Applicable
Any other information: Not Applicable
Rating History (Last three years): Please refer Annexure-2

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	-	-	-	53.38	CARE A-; Stable
Non-fund-based - ST-Forward Contract	-	-	-	0.00	Withdrawn
Fund-based - LT-Cash Credit	-	-	-	90.50	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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Term Loan	LT	53.38	CARE A-; Stable	-	1)CARE A-; Stable (22-Feb-19)	1)CARE A-; Stable (22-Mar-18) 2)CARE BBB+; Positive (10-Apr-17)	1)CARE BBB+ (18-Apr-16)
2.	Non-fund-based - ST-Forward Contract	ST	-	-	-	1)CARE A2 (22-Feb-19)	1)CARE A2 (22-Mar-18) 2)CARE A3+ (10-Apr-17)	1)CARE A3+ (18-Apr-16)

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
3.	Fund-based - LT-Cash Credit	LT	90.50	CARE A-; Stable	-	1)CARE A-; Stable (22-Feb-19)	1)CARE A-; Stable (22-Mar-18) 2)CARE BBB+; Positive (10-Apr-17)	1)CARE BBB+ (18-Apr-16)
4.	Non-fund-based - ST-Bank Guarantees	ST	2.00	CARE A2	-	1)CARE A2 (22-Feb-19)	1)CARE A2 (22-Mar-18) 2)CARE A3+ (10-Apr-17)	1)CARE A3+ (18-Apr-16)

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.*

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