Press Release

Piccadily Agro Industries Limited

January 23, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	263.43	IVR BBB+/Stable [IVR Triple B Plus with Stable Outlook]	Upgrade	Simple
Short Term Bank Facilities	8.00	IVR A2	Upgrade	Simple
Total	**271.43**	**[Rupees Two hundred seventy-one crore and forty-three lakhs Only]**		

Details of Facilities are in Annexure 1

Detailed Rationale

Infomerics has upgraded its rating on bank facilities of Piccadily Agro Industries Limited on account of the experienced promoters and long track record of operations, proximity to sugar cane growing area and moderate recovery rate, diversified product portfolio, continuous scale up of operations albeit moderate profitability, satisfactory financial risk profile and moderate working capital intensive nature of operations. The ratings also take into account strong growth in sales in IMFL which has been boosted through its brand "INDRI" which has been recognised as one of best whisky in world. The ratings, however, are constrained by susceptibility of operations to agro Climatic factors, exposure to risk related to government regulations and execution risks related to ongoing and future projects.

Key Rating Sensitivities:

Upward Factors

- Substantial and sustained growth in operating income and improvement in profitability
- Sustenance of the capital structure and improvement in debt protection metrics

Downward Factors

- Moderation in operating income and/or cash accrual or deterioration in operating margin, any stretch in the working capital cycle driven by pile-up of inventory or stretched receivables, or sizeable capital expenditure affecting the financial risk profile, particularly liquidity.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced Promoters and long track of record:

PAIL has an operational track record from 1997. Long standing presence of the promoter in the industry has helped the company to build established relationships with both customers and suppliers.

Proximity to sugar cane growing area and moderate recovery rate.

The primary raw material, sugarcane, is available in abundant quantity in nearby area. The presence in sugarcane growing area gives a competitive advantage in terms of easy availability of quality sugarcane and lower freight. The recovery rate of the company remained moderate at 10.05% with a recovery of molasses at 4.82% in FY23. (10.05% and 4.50% in FY22)

Diversified product portfolio:

PAIL derives 43.12% of income from sugar segment and 56.88% from distillery products in FY23 as compared to 53.61% from sugar segment and 46.39% from distillery unit in FY22. PAIL is engaged in crushing of cane, distillery production from grains, ethanol production from molasses and power generation from bagasse for captive consumption. PAIL for backward integration has started manufacturing pet bottles and cap production for liquor packaging. A diversified product portfolio enables the company to spread its risk and reduces dependency on single/few products. The company gradually diversified its product portfolio in its both segments, which also underpinned growth in its both segments. PAIL also has contracts with IOCL, HPCL and BPCL to supply ethanol.

Continuous scale up of operations albeit moderate profitability:

PAIL is engaged in sugar industry from 27 years and in distillery products for 15 years. The total operating income of the company has witnessed an increasing trend with a CAGR of ~16.75% during FY21-FY23 and stood at ~Rs. 635.83 crore in FY23 as compared to Rs.575.33 crore in FY22. The growth in the revenue was mainly driven by increase in capacity utilization leading to higher volume and higher sales realization in both segment (Sugar and Distillery). Revenue derived from the sugar segment stood at Rs. 274.14 crore from Rs.308.76 crore in FY22. On the other hand, Distillery products segment also witnessed a significant growth in revenue from Rs. 266.49 crore in FY22 to Rs.361.68 crore in FY23. PAIL has its own brands in IMFL (are in high demand in regions like Delhi/ NCR and is largest selling brands in Haryana) and in Country liquor. PAIL has also launched single malt to enter into premium liquor. Although increase in scale of operations, the EBITDA margin of the company has deteriorated by 236 bps and stood at 9.69% in FY23 as compared to 12.05% in FY22 on account of increase in manufacturing and selling expense during the year. With decline in EBITDA margin, The PAT margins of the company have also deteriorated by 144 bps and stood at 3.66% in FY23 as compared to 5.10% in FY22. Further, the GCA of company has also declined from Rs.42.77 Crores in FY22 to Rs. 38.34 crore in FY23. The company has reported PAT of Rs. 23.32 crore on total operating income of Rs. 351.63 crore in 6MFY24 as against PAT of Rs. 11.45 crore on total operating income of Rs. 304.81 crore in 6MFY23.

Satisfactory financial risk profile:

The net worth of PAIL stood at Rs 231.50 crore as on March 31, 2023, as against Rs.206.90 crore as on March 31, 2022. The long-term debt equity ratio and overall gearing ratio stood moderate at 0.26x and 0.67x respectively as on March 31, 2023, as against 0.20x and 0.65x respectively as on March 31, 2022.The total indebtedness of the company as reflected by TOL/TNW stood at the same level as before i.e. 1.56x as on March 31, 2023. The debt protection metrics of the company remained average over the years marked by its satisfactory gross cash accruals. The interest coverage improved and remained moderate at 4.87x in FY23 (5.06x in FY22). Total debt to GCA improved to 4.02 years in FY23 as compared to 3.16 years in FY22.

Moderate Working capital intensive nature of operations:

The operations in sugar and distillery sector are capital intensive. PAIL is engaged with client having Licence 1 and Licence 13 and is approved by government for sale of IMFL, country liquor and company has 25 agents for sale of sugar. The company holds an inventory and creditors average period for 119 and 79 days for FY23.The Working Capital Cycle of the company moderated and remained elongated at 74 days in FY23 (66 days in FY22). The current ratio improved and stood at 1.03x as on March 31, 2023, as compared to 1x as on March 31,2022. PAIL's bank limits remained moderately utilised at 90.36% in the past twelve months ending November,2023 indicating adequate liquidity buffer.

B. Key Rating Weaknesses

Agro Climatic factors

Sugarcane and broken rice is the key input into the sugar and distillery industry and is dependent on timely monsoons. Any adversity on the timely and adequacy of rainfall, given highly uneven pattern of rainfall observed in the last few years, would drastically affect the availability and price of raw material thereby affecting profitability of the company.

Exposure to risk related to government regulations

The Sugar and Liquor industry is highly exposed to risks related to Government regulations. Various Government Acts virtually governs all aspects of the business, which include the availability and pricing of sugarcane, sugar trade and by - product pricing. The procurement of sugarcane by the sugar entities is governed by the Sugarcane (Control) Order, 1966, which stipulates that the mills need to source their sugarcane only from the command area allocated to them. The order also makes it mandatory for the sugar mill to necessarily uplift the entire sugarcane production of the farmer, irrespective of the market demand, which has a considerable impact on the inventory holding pattern.

The liquor industry in India is governed by strict government regulations and license regime that differ from state to state. Each India's states have their own regulatory controls on the production, marketing and distribution, and even pricing of alcohol. Further, high taxation and duties also make the industry dynamics complex. This makes its operating profitability susceptible to any policy measure announced by the Government.

Ongoing and future projects

The company has undertaken to establish a New dual feed distillery of 200 KLPD under ethanol blending program of Government of India under interest subvention scheme with a total project cost of Rs. 182 crore which will be funded through a bank term loan of Rs. 126 crore and remaining Rs. 56.00 crore through internal accrual. Till December 2023, the company has purchased the land at a cost of Rs. 4.38 crore and total expenditure incurred amounting Rs. 16.43 crore till December 2023. The term loan amounting Rs. 126.00 crore has been sanctioned out of which Rs. 0.29 crore has been disbursed. The projected COD for the project is 30.09.25. The company has formed its subsidiary, Portvadie Distillers & Blenders Limited, in Glasgow, Scotland for production of single malt whiskey under a foreign brand name. Till now only land acquisition has been done and as of now PAIL has invested around Rs.11 crore in the form of equity share capital in the subsidiary. Any further investments in this subsidiary will be key rating monitorable.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies
Financial Ratios & Interpretation (Non-Financial Sector)
Criteria for assigning Rating outlook

Liquidity – Adequate

The company's liquidity is adequate marked by 90.36% average utilisation of fund-based limits during the past 12 months ended November 2023. Further, the company expects sufficient cushion in cash accruals against its debt repayments for the next 3 years. However, the company has a low Current Ratio of 1.03x as of March 31, 2023. The Unencumbered cash and bank balance of company stands at Rs.3.35 Crores as on March 31, 2023. The Working Capital Cycle of the company moderated and remained elongated at 74 days in FY23 (66 days in FY22).

About the Company

Piccadily Agro Industries Ltd (PAIL), a Public Limited Company, was incorporated in the year 1994 and started its commercial operations in 1997 as a sugar processing company. Later in 2007, PAIL has set up a distillery unit. At present the company is engaged in manufacturing sugar and distillery products at a manufacturing plant in Karnal, (Haryana) covering an area of around 168 acres. The facility comprises a 5,000-tonne-per-day crushed sugar production unit and a 150 KLPD distillery unit. It also has a co-gen power capacity of 14 MW for sugar and 3MW for distillery unit.

Financials (Standalone):

(Rs. Crore)

For the year ended* / as on	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	575.33	635.83
EBITDA	69.32	61.62
PAT	29.36	23.30
Total Debt	135.29	153.95
Tangible Net Worth	206.90	231.50
Ratios		
EBITDA Margin (%)	12.05	9.69
PAT Margin (%)	5.10	3.66
Overall Gearing Ratio (x)	0.65	0.67

**Classification as per Infomerics` standards*

Status of non-cooperation with previous CRA: None

Any other information: Not Applicable

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding. (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24 (March 31, 23)	Date(s) & Rating(s) assigned in 2021-22 (Dec 12,2022)	Date(s) & Rating(s) assigned in 2021-22(Sep 13, 2021)
1.	Long Term Fund Based Facilities	Long Term	263.43	IVR BBB+/Stable	IVR BBB/Stable	IVR BBB/Stable	IVR BBB/Stable

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding. (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24 (March 31, 23)	Date(s) & Rating(s) assigned in 2021-22 (Dec 12,2022)	Date(s) & Rating(s) assigned in 2021-22(Sep 13, 2021)
2.	Short Term Fund Based Facilities	Short Term	8.00	IVR A2	IVR A3+	IVR A3+	IVR A3+

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	Apr 2032	168.43	IVR BBB+/ Stable
Cash Credit	-	-	-	95.00	IVR BBB+/ Stable
Bank Guarantee	-	-	-	8.00	IVR A2

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details
https://www.infomerics.com/admin/prfiles/len-PiccadilyAgro-jan24.pdf

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.