

March 31, 2025

Parakh Agro Industries Limited: [ICRA]A-(Stable)/[ICRA]A2+; assigned

Summary of rating action

Instrument*	Current rated amount (Rs. crore)	Rating action
Long-term – Fund based – Cash credit	127.00	[ICRA]A- (Stable); assigned
Long-term – Fund based – Term loans	8.26	[ICRA]A- (Stable); assigned
Short-term – Non-fund based – Others	42.00	[ICRA]A2+; assigned
Long-term/Short-term – Unallocated limits	0.24	[ICRA]A- (Stable)/[ICRA]A2+; assigned
Total	177.50	

*Instrument details are provided in Annexure I

Rationale

The assigned ratings derive comfort from the established position of Parakh Agro Industries Limited (PAIL) as one of the major wheat processors in India with a strong presence of its 'Samrat' brand. ICRA positively factors in PAIL's established distribution network in western India as well as its strong domestic procurement network. Leveraging on the same, the company reported a healthy revenue growth in FY2022 and FY2023. Despite a decline witnessed in the packaging division, the company was able to grow by ~4% on a YoY basis in FY2024, driven by a ~9% rise in the food division. ICRA expects the company's operating income to grow by 10-12% in FY2025 on a YoY basis, given that it has already achieved a growth of ~12% in 11M FY2025 vis-à-vis 11M FY2024. The company's operating margin improved to ~4.2% in FY2024 from 3.6% in FY2023, led by an increase in the overall realisation in the food division. Limited value addition in the wheat milling business results in inherently modest margins for the food products division. Nevertheless, ICRA believes that with stable margins, the company would be able to maintain comfortable debt coverage indicators in the future. PAIL also plans to incur a capex of ~Rs. 50.0 crore in FY2026 for enhancing its production capacity in the packaging division and to install a solar power plant of 5-6 MW. The same is likely to be funded through a mix of internal accruals and term debt. However, ICRA expects that PAIL's leverage and coverage indicators will continue to remain comfortable over the near-to-medium term, despite the capex. The ratings also continue to factor in the extensive experience of the promoters in this line of business. The ratings further factor in PAIL's business diversification through its presence in the food product and packaging businesses. PAIL also benefits from the business synergies with its sister company, Parakh Food & Oil Limited (PFOL), with which it shares the 'Samrat' brand, a common distribution network and sales team. The ratings also factor in the favourable long-term outlook for the organised agro-processing industry, given the changing lifestyles, increasing purchasing power and penetration of modern trade.

The ratings are, however, constrained by the exposure of PAIL to commodity price cycles. The ratings also continue to factor in the intensely competitive nature of the agro-processing industry with limited value addition and the company's geographical concentration towards western India. Further, the company is exposed to challenges related to logistics, so any adversity in the same could impact its business and profitability. ICRA also notes the company's susceptibility to agro-climatic conditions, the commodity price cycle and currency movements. As the company is present in the food industry, its quality and reputation related risks are high, which could impact the company's pricing strength and business.

The Stable outlook reflects ICRA's expectation that PAIL will continue to benefit from the extensive experience of the promoters along with the established brand presence of 'Samrat', particularly in western India.

Key rating drivers and their description

Credit strengths

Established position with reputed brand in wheat flour and allied products – The company markets its products, primarily wheat flour (atta), refined flour (maida) and semolina (rawa/sooji) to wholesalers and retailers in western and southern India (mainly Maharashtra, Goa and Karnataka) under the ‘Samrat’ brand. The ‘Samrat’ brand enjoys an established position and good recall in the markets served by the company. It also markets its products under unregistered brands like ‘Parakh Mills’, ‘Bigul’, ‘Nimrani’ and ‘Nimraja’. As PAIL caters to retailers, dealers and wholesale agents, its customer concentration risk remains low with no customer driving more than 5% of its overall sales. It has a strong distribution network of 350-400 distributors and ~1.25 lakh retailers. The company has also added reputed customers for its packaging division, profit margins from which are higher than the food division.

Conservative capital structure and comfortable debt protection metrics – PAIL’s financial profile remains comfortable with a gearing of 0.5 times and an interest coverage and TD/OPBITDA of 7.3 times and 1.9 times, respectively as on March 31, 2024. The same are expected to improve to some extent in FY2025. The company has a planned partly debt-funded capex of expanding its packing division and setting up a solar plant of 5-6 MW in FY2026. Though this would lead to an increase in the overall debt level and interest cost, the coverage indicators would still remain comfortable in FY2026 with an expected interest cover around 8 times. ICRA expects the operating margin to move gradually, post successful commissioning of the projects and ramp-up in operations.

Stable demand from staple foodgrains market; strong distribution network in Maharashtra – PAIL’s market is extremely fragmented. However, the demand is stable with all its products forming essential constituents of the consumers’ daily diet. It has built a strong marketing and distribution network in Maharashtra, facilitating the company’s sales. The company has a distributor network of 350-400 distributors with payment terms of 10-14 days. The company makes 100% branded sales of its products of which around 20% are institutional sales and the rest 80% is retail in the B2C segment.

Credit challenges

Exposed to commodity price cycle risk associated with agro products, leading to volatility in margin – Wheat is the key raw material for the company. Thus, it remains exposed to the agro-climatic conditions in the country and regulations related to procurement or pricing of agro commodities. In case of high prices, the Government restrictions limit the company’s ability to pass on the entire raw material price hike to the customers. Additionally, the company imports granules (for the packaging division). Lack of any formal hedging practices exposes it to the foreign currency fluctuations risk. However, the same is mitigated by the natural hedge provided through export.

Limited value addition and intense competition result in thin operating margins – The company operates in a competitive and fragmented industry. Even though it benefits somewhat from its established relationships with its customers and strong brand, its vulnerability to raw material price volatility and limited value addition in its operations led to low profitability indicators over the years.

Concentrated in western India, leading to geographical concentration risk – PAIL’s ‘Samrat’ brand has a strong regional presence with a healthy market share in Maharashtra and adequate market share in Karnataka and Goa. Almost 80% of the company’s sales is derived from Maharashtra and the rest through Karnataka and Goa, supported by strong brand loyalty. Thus, the company’s geographical concentration in Maharashtra will continue to remain in the medium term.

Liquidity position: Adequate

Adequate fund flow from operations and moderate working capital requirements resulted in positive retained cash flows for PAIL in FY2024. Though the retained cash flow is expected to moderate to an extent in FY2025, but it would still remain positive and improve gradually thereafter. The average utilisation of cash credit facilities in FY2024 stood at 38% of the sanctioned limits. While it increased to 51% in 11M FY2025, adequate liquidity buffer remains. The company's long-term debt repayment obligations of Rs. 3.9 crore and Rs. 8.0 crore in FY2026 and FY2027, respectively remains quite low compared to its expected cash accruals. Additionally, the company is undertaking capex of ~Rs. 50.0 crore in FY2026, which is largely funded by fresh long-term loans of around Rs. 40.0 crore. Overall, ICRA expects PAIL to be able to meet its near-term commitments through internal accruals or promoter's support, if any need arises.

Rating sensitivities

Positive factors – ICRA could upgrade PAIL's ratings if the company demonstrates an improvement in its scale and profitability while maintaining a comfortable liquidity position on a sustained basis.

Negative factors – Pressure on PAIL's ratings could arise if there is a decline in the company's revenue and profitability on a sustained basis, resulting in a deterioration in its liquidity. Specific credit metrics that could lead to ratings downgrade include an interest coverage of less than 4.0 times on a sustained basis.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	The ratings are based on the company's standalone financial profile

About the company

PAIL mainly manufactures and sells agro-based products like wheat flour (*atta*, *maida* and *sooji*) and gram flour in the domestic market. The company markets its wheat flour products under 'Samrat', 'Nimrani', 'Bigul' and 'Nimraja' brands. PAIL has also set up a flexible packaging plant for food products. It has also installed windmills at Dhule (six turbines) with a total energy generation capacity of 8.3 MW. The company shares the 'Samrat' brand and the common distribution network with its sister concern, Parakh Foods and Oil limited (PFOL), which is owned and managed by Mr. Prakash Parakh (and his family), brother of PAIL's MD, Mr. Suresh Parakh.

Key financial indicators (audited)

Parakh Agro Industries Limited	FY2023	FY2024	9M FY2025*
Operating income (OI)	1,279.9	1,331.6	1,148.9
PAT	14.8	22.7	17.8
OPBDIT/OI	3.6%	4.2%	3.8%
PAT/OI	1.2%	1.7%	1.5%
Total outside liabilities/Tangible net worth (times)	1.3	1.1	1.0
Total debt/OPBDIT (times)	2.9	1.9	1.9
Interest coverage (times)	4.1	7.3	6.5

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation; *Provisional numbers

Status of non-cooperation with previous CRA:

CRA	Status	Date of Release
CARE Ratings	CARE BBB (Stable)/CARE A3; ISSUER NOT COOPERATING – Ratings downgraded and moved to Issuer Not Cooperating category from CARE BBB+ (Stable)/CARE A3+	March 20, 2025

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2025)			Chronology of Rating History for the Past 3 Years		
		Type	Amount Rated (Rs. crore)	Date & Rating	Date & Rating in FY2024	Date & Rating in FY2023	Date & Rating in FY2022
				Mar 31, 2025	Dec 13, 2023	Nov 30, 2022	Jan 03, 2022
1	Cash credit	Long-term	127.00	[ICRA]A-(Stable)	[ICRA]BBB+(Stable) Withdrawn	[ICRA]BBB+(Stable)	[ICRA]A-(Stable)
2	Term loans	Long-term	8.26	[ICRA]A-(Stable)	[ICRA]BBB+(Stable) Withdrawn	[ICRA]BBB+(Stable)	[ICRA]A-(Stable)
3	Non-fund based – Others	Short-term	42.00	[ICRA]A2+	[ICRA]A2 Withdrawn	[ICRA]A2	[ICRA]A2+
4	Unallocated limits	Long-term/Short-term	0.24	[ICRA]A-(Stable)/[ICRA]A2+	[ICRA]BBB+(Stable)/[ICRA]A2 Withdrawn	[ICRA]BBB+(Stable)/[ICRA]A2	[ICRA]A-(Stable)/[ICRA]A2+

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term – Fund based – Cash credit	Simple
Long-term – Fund based – Term loans	Simple
Short-term – Non-fund based – Others	Very simple
Long-term/Short-term – Unallocated limits	Not applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
NA	Cash credit	NA	9.50%	NA	127.00	[ICRA]A- (Stable)
NA	Term loans	24/05/2022	9.80%	24/04/2027	8.26	[ICRA]A- (Stable)
NA	Others (LC)	NA	NA	NA	30.00	[ICRA]A2+
NA	Others (BG)	NA	NA	NA	2.00	[ICRA]A2+
NA	Others (Capex LC)	NA	NA	NA	10.00	[ICRA]A2+
NA	Unallocated limits	NA	NA	NA	0.24	[ICRA]A- (Stable)/[ICRA]A2+

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis: Not applicable

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