



## Pagro Foods Limited

Facility	Amount	Rating Action
	Rs. Crore	September 2015
Fund Based Facilities*	12.95	[ICRA]B+/[ICRA]A4; Reaffirmed
Working Capital Facilities	6.05	[ICRA]B+; Reaffirmed

\*Includes Rs. 1.50 crore sublimit of EPC/PCFC

ICRA has reaffirmed its ratings of [ICRA]B+ (pronounced ICRA B plus) / [ICRA]A4 (pronounced ICRA A four) on the Rs. 19.0 crore bank facilities of Pagro Foods Limited (PFL)†.

ICRA's rating reaffirmation takes into account the subdued growth in PFL's operating income, which registered a 3% year-on-year growth in FY15\*. This was primarily due to shifting of its clients to a group company, Pagro Frozen Foods Private Limited (PFPL), which also resulted in low plant capacity utilization of 50.5% in FY15.

ICRA's ratings continue to factor in PFL's modest scale of operations and the vulnerability of the company's profitability to seasonality of agro products as well as agro climatic conditions. Moreover, the ratings are also constrained by the company's high working capital intensity owing to high inventory levels and early payment to the creditors. However, the ratings positively take into account the long track record of the company's promoters in the agro processing sector and its strong client base, which includes established retailers like Reliance Retail Limited, Godrej Tyson Foods Limited and Bharti Retail Limited. ICRA also takes note of the fact that the company does not have any long-term debt repayment obligations.

Going forward, the key rating sensitivities would be the company's ability to ramp up its operations and bring about a sustained improvement in its profitability as well as its liquidity position.

### Company Profile

PFL was incorporated in 1999 to set up a food processing plant in Fatehgarh Sahib, Punjab. The company is a producer and supplier of frozen foods across India, Middle East, Europe and US. It has an annual processing capacity of 10,000 Metric Tonnes (MT) of frozen vegetables. The company has been promoted by Mr. N.S. Brar and Mr. Dhillon, who have over two decades of experience in food processing and contract farming. The promoters are also managing a company in the same line of business, PFPL which has an automated production capacity of 15,000 MT per annum. They have been joined by Mr. Satpal Khattar, who has investments in PFL and PFPL, through his investment arm, Khattar Holdings Pte Limited. The company's registered brand- 'Pagro' has visibility in North India.

### Recent Results

PFL reported an Operating Income (OI) of Rs. 22.4 crore and a net profit of Rs. 0.1 crore for 2013-14, as compared to an OI of Rs. 25.3 crore and a net profit of Rs. 0.1 crore for the previous year. In 2014-15, as per provisional results, PFL reported an OI of Rs. 23.0 crore.

**October 2015**

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† For complete rating scale and definitions, please refer to ICRA's Website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications

\* As per provisional results



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