



Pagro Foods Limited

Facility	Amount Rs. Crore	Rating Action July 2014
Fund Based Facilities*	12.75	[ICRA]B+/[ICRA]A4 Assigned
Working Capital Facilities	6.25	[ICRA]B+ Assigned

*Includes Rs. 1.50 crore sublimit of EPC/PCFC

ICRA has assigned [ICRA]B+ (pronounced ICRA B plus) / [ICRA]A4 (pronounced ICRA A four) ratings for the Rs. 19.0 Crore bank facilities of Pagro Foods Limited (PFL)†.

The assigned rating takes into account the long experience of its promoters in the agro processing sector and a strong client base. PFL's client base includes established retail clients of the country including Mc Cain Foods India, Reliance Retail, Vista Processed Food Private Limited, Godrej, Aditya Birla Retail and Bharati Retail. The company supplies frozen vegetables to various clients with majority of sales being derived from frozen peas. Majority of the sales are through its own brand – 'Pagro' which has created a brand visibility in the frozen food market, a segment growing at a fast pace. However, the market has various other players especially Mother Dairy, which sells its product under 'Safal' brand, which provide strong competition to PFL.

The ratings, however, are constrained by PFL's weak credit profile. An elongated working capital cycle on account of high inventory, results in stretched liquidity position of the company. As the inventory is largely funded through bank borrowings, which coupled with guarantee extended to the term loans of PFFL has resulted in credit profile being stretched. Further, PFL has moderate scale of operations and has recorded decline in sales and profits in last two years due to the weak demand by clients. Further, ICRA observed that PFL's profit margins remain susceptible to seasonality of agro products. Additionally, PFL's plant utilization remains at less than 50% due to lower demand and shifting of clients to its group company, PFFL and resulting in low ROCE of the company. Going forward, the company's ability to increase revenues and improve profitability indicators as well as liquidity position would be the key rating sensitivities.

Recent Results

As per the provisional financials for 2013-14, PFL reported operating income of Rs. 22.5 Crore, Profit before Depreciation, Interest and Tax (PBDIT) of Rs. 3.8 Crore and net profit (PAT) of Rs. 0.1 Crore.

Company Profile

Pagro Foods Limited (PFL) was incorporated in 1999 to setup 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 MT of frozen vegetables. PFL is 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 same business namely Pagro Frozen Foods Private Limited (PFFL) which is in a similar line of business having an automated production capacity of 15,000 MT per annum. They are joined by Mr. Satpal Khattar, who has investments both in PFL and PFFL, through his investment arm, Khattar Holdings Pte Limited.

July 2014

† For complete rating scale and definitions, please refer to ICRA's Website www.icra.in or other ICRA Rating Publications



For further details, please contact:

Analyst Contacts:

Mr. Subrata Ray (Tel. No. +91 22 61796386)
subrata@icraindia.com

Relationship Contacts:

Mr. Vivek Mathur (Tel. No. +91-124-4545310)
vivek@icraindia.com

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**Registered Office****ICRA Limited**

1105, Kailash Building, 11th Floor, 26, Kasturba Gandhi Marg, New Delhi 110001
Tel: +91-11-23357940-50, Fax: +91-11-23357014

Corporate Office**Mr. Vivek Mathur**

Mobile: 9871221122

Email: vivek@icraindia.com

Building No. 8, 2nd Floor, Tower A, DLF Cyber City, Phase II, Gurgaon 122002
Ph: +91-124-4545310 (D), 4545300 / 4545800 (B) Fax; +91- 124-4050424

Mumbai**Mr. L. Shivakumar**

Mobile: 9821086490

Email: shivakumar@icraindia.com

1802, 18th Floor, Tower 3,
Indiabulls Finance Centre,
Senapati Bapat Marg,
Elphinstone, Mumbai 400013,
Board : +91-22-61796300; Fax: +91-22-24331390

Kolkata**Mr. Jayanta Roy**

Mobile: +91 9903394664

Email: jayanta@icraindia.com

A-10 & 11, 3rd Floor, FMC Fortuna
234/3A, A.J.C. Bose Road
Kolkata—700020
Tel +91-33-22876617/8839 22800008/22831411,
Fax +91-33-22870728

Chennai**Mr. Jayanta Chatterjee**

Mobile: 9845022459

Email: jayantac@icraindia.com

5th Floor, Karumuttu Centre
634 Anna Salai, Nandanam
Chennai—600035
Tel: +91-44-45964300; Fax: +91-44 24343663

Bangalore**Bangalore****Mr. Jayanta Chatterjee**

Mobile: 9845022459

Email: jayantac@icraindia.com

'The Millenia'
Tower B, Unit No. 1004, 10th Floor, Level 2 12-14, 1 & 2,
Murphy Road, Bangalore 560 008
Tel: +91-80-43326400; Fax: +91-80-43326409

Ahmedabad**Mr. L. Shivakumar**

Mobile: 989986490

Email: shivakumar@icraindia.com

907 & 908 Sakar -II, Ellisbridge,
Ahmedabad- 380006
Tel: +91-79-26585049, 26585494, 26584924; Fax: +91-
79-25569231

Pune**Mr. L. Shivakumar**

Mobile: 989986490

Email: shivakumar@icraindia.com

5A, 5th Floor, Symphony, S.No. 99, CTS 3909, Range Hills
Road, Shivajinagar, Pune-411 020
Tel: + 91-20-25561194-25560196; Fax: +91-20-25561231

Hyderabad**Mr. Jayanta Chatterjee**

Mobile: 9845022459

Email: jayantac@icraindia.com

4th Floor, Shobhan, 6-3-927/A&B, Somajiguda, Raj
Bhavan Road, Hyderabad—500083
Tel:- +91-40-40676500