

Pan Agri Export

Instrument	Amount (Rs. in crore)	Rating Action
Cash Credit Limits	36.00	[ICRA]BBB-(Stable); Reaffirmed
Term loan	10.40	[ICRA]BBB-(Stable); Reaffirmed
PCL/PCFC-FDBN/FDBP/FDBD/PSCFC*	(7.50)	[ICRA]A3; Reaffirmed
LC limit*	(5.00)	[ICRA]A3; Reaffirmed
Credit exposure limit	4.00	[ICRA]A3; Reaffirmed

*within CC limits

ICRA has reaffirmed the long term rating at [ICRA]BBB- (pronounced ICRA triple B minus) for Rs. 36.00 crore¹ cash credit facility and Rs. 10.40 crore term loan facility of Pan Agri Export (PAE)². The outlook on the long term rating is stable. ICRA has also re-affirmed the short term rating at [ICRA]A3 (pronounced ICRA A three) for Rs. 12.50 crore short term non fund based limits (i.e. sub limit of CC limit) and Rs. 4.00 crore short term non fund based limit (i.e. credit exposure facility) of PAE.

The ratings upgrade given to Pan Agri Export primarily draw comfort from the strengthened operational profile of the Jaycot group. They also draw comfort from the steady growth in consolidated turnover since FY10 resulting in a relatively better scale of operations as well as strong market position as compared to other cotton ginning and pressing companies located in Rajkot. The ratings also favourably factor in the extensive experience of the promoters in the cotton ginning and agro-commodities business as well as the moderate recognition commanded by the brand “Jaycot”. The advantage enjoyed by virtue of its location in a cotton-producing region giving it easy access to quality raw cotton as well as the firm’s presence in the cottonseed crushing business and trading of different agro commodities that provide revenue diversification, are other comfort factors. Finally, ICRA also derives comfort from the improving capital structure over the last three fiscals supported by healthy accruals to net worth and sequential decline in debt levels on account of repayments of term loans.

However, thin operating profit margins on account of limited value addition, highly competitive fragmented industry structure and large scale trading operations, are a constraint. Other concerning factors include volatility in cotton prices due to the seasonality and crop harvest, low entry barriers in the business resulting in high competitive intensity and regulatory risk faced by the firm in terms of export restrictions on cotton which can limit opportunities in the near to medium term. The ratings also consider the vulnerability of profits on account of forex fluctuation risks, though hedging through forward contracts mitigates the risk to some extent.

Entity Profile

Established in 2004 as a partnership concern, Pan Agri Export (PAE) is promoted and managed by Mr. Chirag M Patel and Mr. Alpesh M Patel. The firm is currently engaged in the production of cotton and cottonseed oil as well as in the trading of cotton products and other agro commodities. The manufacturing unit of the firm is located at Rajkot in Gujarat. The production unit is equipped with 76 ginning machining and 18 expellers with an installed capacity of 25,080 MTPA and 3,060 MTPA of cotton and cottonseed oil, respectively.

The Jaycot Group has diversified business interests across cement manufacturing, laminate manufacturing, agricultural equipment manufacturing and the agro commodity trading. The Group, however, has an established position as one of the major manufacturers as well as exporters of cotton bales through its two major group concerns—Jaydeep Cotton Fibers Private Limited and Pan Agri Export. Finished bales are sold under the brand name, “JAYCOT”, while cottonseed cake is sold under the brand name, “RAJA”. In the cement segment too the group has a well-established brand under the name of “Hi-Bond Cement”. Both the companies are engaged in cotton ginning, pressing and crushing, as well as in the trading of various other agro-based products. The combined installed ginning capacity of both the entities is 57,750 MT of finished cotton bales per annum. Furthermore, the combined turnover of both Jaydeep Cotton Fibers Private Limited as well as PAE was around Rs. 935.99 crore in FY2015, which has decreased to Rs. 853.21 crore in FY2016.

¹ 100 lakh = 1 crore = 10 million

² For complete rating scale and definitions, please refer to ICRA’s website www.icra.in or other ICRA Rating Publications.



Recent Results

For the year ended 31st March, 2016, as per provisional unaudited results, the firm reported an operating income of Rs. 354.1 crore with profit after tax (PAT) of Rs. 1.4 crore.

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