

February 01, 2017

Parisons Roller Flour Mills Private Limited

Instrument	Rated Amount (in Rs. crore)	Rating Action
Long-term, Fund-based	2.35	[ICRA]BB+ (stable); reaffirmed
Short-term, Non-fund Based	14.00	[ICRA]A4+; reaffirmed

Rating Action

ICRA has reaffirmed the long-term rating of [ICRA]BB+ (pronounced ICRA double B plus) assigned to the Rs. 2.35 crore fund based limits of Parisons Roller Flour Mills Private Limited (PRFM/ the company). The outlook on the long-term rating is stable. ICRA has also reaffirmed the short-term rating of [ICRA]A4+ (pronounced ICRA A four plus) assigned to the Rs. 14.00 crore non-fund based facilities of the company.

Rationale

While re-affirming the ratings, ICRA has considered the business risk profile of PRFM along with its group companies, Parisons Agrotech Private Limited (PAPL), Parisons Foods Private Limited (PFPL) and Kodandaram Roller Flour Mills Private Limited (KRFMPL) collectively referred to as the Parisons Group, since they share strong operational, financial and management linkages among themselves.

The reaffirmation of the ratings factors in the increase in scale of operations and stable operating margins in FY2015 and FY2016. The ratings also consider the Group's established presence in the market for wheat products in Kerala, the Company's comfortable capital structure and working capital intensity and the experience of the promoters in the agro-foods business for about three decades. The ratings also consider the stable demand outlook for wheat products, given that wheat and its products form an important part of staple Indian diet.

The ratings are, however, constrained by the intense competition in the business which entails thin margins and the concentration of revenues in the state of Kerala. Further, the Company's business operations remain vulnerable to volatility in wheat price and performance of the agricultural sector, which in turn is dependent on factors like agro climatic conditions and government policies.

Key Rating Drivers

Credit Strengths

- Established market presence in Kerala with a market share of around 40 per cent in the wheat products segment in Kerala
- Strong promoter background with about three decades of experience in the Agro-Foods Industry
- Financial profile characterised by comfortable working capital intensity

Credit Weakness

- Intense competition in the industry limits pricing flexibility resulting in thin margins
- High geographical concentration with revenues entirely dependent on Kerala market
- Deteriorating coverage and gearing indicators

Description of key rating drivers highlighted above

The group enjoys a market share of about 40 – 45 per cent in the entire Kerala market owing to the established brand presence as a high quality producer. PRFM has been able to maintain its quality standards owing to the periodic research and development undertaken to identify the appropriate blends. Further, the group strength of the Company, where wheat procurement is done in large quantities, gives access to cheaper raw materials, aiding the Company in maintaining a competitive selling price.



PRFM's inventory was high as on March 31, 2016 on account of the huge imports of wheat during the end of the year. Owing to shortfall of production of wheat, the company imported wheat in large quantities, for manufacturing as well as trading purposes. Despite increase in inventory levels, the Company's working capital intensity has been low over the past owing to the lower receivables and in comparison with the high levels of credit period it enjoys. The lower receivables position is since the products of the Company are fast moving in nature.

The group has a total of six flour mills in Kerala which operate under different brands to cater to the local markets. On account of the competition from pan-India players like ITC (Aashirvad), HUL (Annapoorna), General Mills (Pillsbury) etc. and some of the local players, pricing flexibility is minimal, resulting in thin margins.

The Company's exposure to external debt has been minimal historically on the back of low working capital requirements in the business. However, as on March 31, 2016, debt level rose owing to buyers' credit balance of Rs. 11 crore. Increase in working capital coupled with losses eroding the networth, gearing increased from 0.9 times as on March 31, 2015 to 1.89 times as on March 31, 2016. However, as on September'16 the same has eased to 1.27 times owing to lowering of working capital requirements. However, coverage indicators of the company continued to remain stretched owing to the thin margins in the business.

Analytical approach:

While re-affirming the ratings, ICRA has considered the business risk profile of PRFM along with its group companies, Parisons Agrotech Private Limited (PAPL), Parisons Foods Private Limited (PFPL) and Kodandaram Roller Flour Mills Private Limited (KRFM) collectively referred to as the Parisons Group, since they share strong operational, financial and management linkages among themselves.

Links to applicable Criteria

[Corporate Credit Rating – A Note on Methodology](#)

About the Company

Parisons Roller Flour Mills Private Limited ("PRFM" / "the Company") is primarily engaged in manufacture of wheat based products like Maida, Sooji, Atta and Bran with exposure to trading of wheat to group Companies and other local players in Kerala. PRFM was incorporated in the year 1989 with a flour-milling capacity of 80 TPD, which was subsequently augmented to the current levels of 250 TPD. The Company operates in the state of Kerala through its brands Aditi and Parisons Liberty supplying to institutional consumers like restaurants etc. and also to the retail consumers.

During FY2016, the company reported a net loss of Rs. 0.7 crore on an operating income of Rs. 180.8 crore. As per the provisional financial statements, the company reported a profit before tax of Rs. 1.4 crore on an operating income of Rs. 95.6 crore during the first half of FY2017.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years:
Table: Rating History

S.No	Name of Instrument	Current Rating			Chronology of Rating History for the past 3 years			
		Type	Rated amount (Rs. crore)	Month-year & Rating in FY2017	Month-year & Rating in FY2016	Month-year & Rating in FY2015	Month-year & Rating in FY2014	
				January 2017	-	Mach 2015	December 2013	
1	Fund based	Long Term	2.35	[ICRA]BB+(Stable)	-	[ICRA]BB+(Stable)	[ICRA]BB+(Stable)	
2	Non-fund Based	Short Term	14.00	[ICRA]A4+	-	[ICRA]A4+	[ICRA]A4+	

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1
Details of Instrument

Name of the instrument	Date of issuance	Coupon rate	Maturity Date	Size of the issue (Rs. Cr)	Current Rating and Outlook
Cash Credit	-	-	-	2.35	[ICRA]BB+ (Stable)
LC/BG	-	-	-	14.00	[ICRA]A4+

Source: Parisons Roller Flour Mills Private Limited

Name and Contact Details of the Rating Analysts:
Mr. K Ravichandran

+91-44-45964301

ravichandran@icraindia.com
R Srinivasan

+91 44 4596 4315

r.srinivasan@icraindia.com
Ritika Periwal

+91 80 4922 5562

ritika.mundhra@icraindia.com
Shashikiran M

+91 80 4922 5502

shashikiran.m@icraindia.com
Name and Contact Details of Relationship Contacts:
Mr. Jayanta Chatterjee

+91 80 4332 6401

javantac@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: +91 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: +91 9821086490

Email: shivakumar@icraindia.com

3rd Floor, Electric Mansion
Appasaheb Marathe Marg, Prabhadevi
Mumbai—400025,
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: +91 9845022459

Email: jayantac@icraindia.com

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

Bangalore**Mr. Jayanta Chatterjee**

Mobile: +91 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: +91 9821086490

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: +91 9821086490

Email: shivakumar@icraindia.com

5A, 5th Floor, Symphony, S.No. 210, CTS 3202, Range
Hills Road, Shivajinagar, Pune-411 020
Tel: + 91-20-25561194-25560196; Fax: +91-20-
25561231

Hyderabad**Mr. Jayanta Chatterjee**

Mobile: +91 9845022459

Email: jayantac@icraindia.com

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