

April 06, 2017

## PMV Maltings Private Limited

Instruments*	Amount Rated (Rs. crore)	Rating Action
Term loan facilities*	51.00 (reduced from 80.00)	[ICRA]B+ (Stable) /re-affirmed
Working capital facilities*	35.00 (enhanced from 20.00)	[ICRA]B+ (Stable) /re-affirmed
Unallocated limits*	14.00 (earlier nil)	[ICRA]B+ (Stable) / re-affirmed

*\*Instrument details are provided in Annexure-1*

### Rating Action

ICRA has re-affirmed its long-term rating of [ICRA] B+ (pronounced ICRA B plus) on the Rs. 51.00-crore term loan facilities and Rs.35.00 crore working capital facilities of PMV Maltings Private Limited (PMV)<sup>1</sup>. ICRA has also reaffirmed its long-term rating of [ICRA] B+ (pronounced ICRA B plus) on the Rs.14.00-crore unallocated limits of PMV. The outlook on the long-term rating is 'Stable'

### Rationale

The rating reaffirmation takes into account the continued support from the promoters in the repayments of the long term liabilities in a timely manner. The rating also factors in the company's moderate coverage indicators, leveraged capital structure and the established presence of the Malt group in the malt production business. ICRA also takes note of the limited competition in the industry due to the major capacities being vested with only two producers (The Malt group and Barmalt Maltings (India) Private Limited) and the favourable medium term demand growth prospects for the beer industry in the domestic market.

The rating, however, continues to be constrained by the company's exposure to agro-climatic risk as the raw material (barley) is an agricultural produce. ICRA also takes note of the sector concentration risk faced by the company with 100% exposure to the beer industry; though this risk is largely mitigated by the over four decade's old relationship of the group with its customers.

Going forward, the ability of the company to ramp up its scale of operations in a profitable manner and manage its liquidity position will be the key rating sensitivities.

<sup>1</sup> For complete rating scale and definitions please refer to ICRA's Website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications.

## Key rating drivers

### Credit Strengths

- The promoters have a wide experience of more than 30 years in the industry
- Duopolistic nature of the industry with two major companies operating provides a comfortable position to the same
- Easy availability of raw material procurement due to group synergy
- Long term and wide customer base with big industry players such as GlaxoSmithKline and Cadbury's establishes the company as a major supplier in the industry

### Credit Weakness

- The growth trajectory of the company remained stagnant over the years with minimal growth in the top line.
- Exposure to raw material price volatility as well as agro climatic risk as the raw material (barley) is an agricultural produce.
- Planned capital expenditure has resulted into heavy repayments over the medium term which has rooted for promoter's support for the same as the company is not being able to generate enough accruals to meet these obligations
- The financial profile continues to remain weak with heavy reliance on short term borrowings has resulted in further deterioration of the capital structure ; high interest cost has further deteriorated the coverage indicators

### Description of key rating drivers highlighted above:

PMV Maltings Private Limited continues to enjoy a comfortable position in the malt industry by virtue of the extensive experience of its promoters. The operating margin of the company continues to remain healthy, which along with the easy availability of the raw material requirements has resulted in an established customer base of the company which has further helped them to get regular orders.

The company however remains exposed to agro-climatic risk as the raw material (barley) is an agricultural produce. The company also faces sector concentration risk with 100% exposure to the beer industry; though this risk is largely mitigated by the over four decade's old relationship of the group with its customers.

**Analytical approach:** While assigning the rating ICRA has taken standalone financial and operating performance of PMV Maltings Private Limited

### Links to applicable Criteria

Corporate Credit Rating –A Note on Methodology

<http://www.icra.in/Files/Articles/2009-October-Rating-Corp-Rating-Methodology.pdf>



**About the Company:**

Incorporated in 2008, PMV was a dormant company till the demerger of The Malt Company India Private Limited (MCIPL) with effect from April 2013. Under the demerger scheme, MCIPL transferred two of its units i.e. Pataudi (Haryana) and Kashipur (Uttarakhand) units to PMV, which were established in 2002 and 2010 respectively, while retaining the Khandsa (Haryana) based unit. PMV manufactures barley malt with an installed capacity of 30,000 MTPA and 150,000 MTPA at its Pataudi and Kashipur units.

**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. Crores)	Month - year & rating	Month - year & Rating in FY2016	Month - year & Rating in FY2016	Month - year & Rating in FY2015	Month - year & Rating in FY2014
				April 2017	January 2016	June 2015	NA	NA
1	Term Loan	Long term	51.00	[ICRA]B+ (Stable)	[ICRA]B+	[ICRA]B-	NA	NA
2	Working Capital facilities	Long term	35.00	[ICRA]B+ (Stable)	[ICRA]B+	[ICRA]B-	NA	NA
3	Unallocated limits	Long term	14.00	[ICRA]B+ (Stable)				

**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](http://www.icra.in)

**Annexure-1**  
**Details of Instruments**

Name of the instrument	Date of issuance	Coupon rate	Maturity Date	Size of the issue (Rs. Cr)	Current Rating and Outlook
Term Loan facilities-Andhra Bank	-	-	2021	31.00	[ICRA]B+(Stable)
Term Loan facilities-Rabo Bank			2021	20.00	[ICRA]B+(Stable)
Working capital facilities	-	-	-	35.00	[ICRA]B+(Stable)
Unallocated limits				14.00	[ICRA]B+(Stable)

Source: PMV Maltings Private Limited

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About ICRA Limited:

**ICRA Limited** was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

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