

## Parisons Infrastructure Private Limited

July 26, 2018

### Summary of rated instruments

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Short-term – Non-fund based	15.00	15.00	[ICRA]A4+; Upgraded from [ICRA]A4
<b>Total</b>	<b>15.00</b>	<b>15.00</b>	

\*Instrument details are provided in Annexure 1

### Rating action

ICRA has upgraded the short-term rating assigned to the Rs. 15.00-crore<sup>1</sup> non-fund based facilities of Parisons Infrastructure Private Limited (PIPL) from [ICRA]A4 (pronounced ICRA A four)<sup>2</sup> to [ICRA]A4+ (pronounced ICRA A four plus).

### Rationale

The rating upgrade positively factors in the healthy growth in PIPL's revenues in FY2018, aided by an improvement in trading income. The rating upgrade also takes into consideration the financial support provided by the promoters in the form of equity infusion to the tune of Rs. 3.75 crore in FY2018. The ratings continue to derive comfort from the long experience of the promoters in the agro-food industry for over three decades and the established market presence of the Parisons Group in refined palm oil industry in Kerala. The rating also favourably factors in the low working capital intensive nature of operations owing to extended credit period received from suppliers.

The rating, nevertheless, remains constrained by the expected moderation in PIPL's capital structure and coverage indicators in the near term owing to sizeable debt-funded capital expenditure undertaken by the company towards setting up a storage tank farm in Mangalore. However, given the elongated repayment obligations on the term loans and relatively lower interest rates, the coverage indicators are expected to be adequate. The rating continues to remain constrained by the moderate utilisation of PIPL's storage tanks in Kerala owing to ban on palm oil import at ports situated in the state. The rating also takes into consideration the susceptibility of profit margins to foreign exchange fluctuations as PIPL mainly relies on imports for raw material procurement.

### Key rating drivers

#### Credit strengths

**Extensive experience of the promoters** – PIPL's promoters have an extensive experience of over three decades in the agro-foods industry. They also provide financial support to PIPL in the form of non-interest bearing unsecured loans and equity infusion, as witnessed in the past. In FY2018, the promoters infused equity to the tune of Rs. 3.75 crore. The established presence of the Parisons Group in the edible oil and wheat products segment in Kerala also provides comfort.

<sup>1</sup>100 lakh = 1 crore = 10 million

<sup>2</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

**Healthy growth in revenues in FY2018** – PIPL’s derives sizeable operating income from trading of edible oil and wheat and the contribution of the same stood at nearly 98% of its operating income in FY2018. PIPL’s revenues witnessed healthy YoY growth in FY2018 aided by hike in trading segment income from Rs. 21.0 crore in FY2017 to Rs. 43.3 crore. The same was supported by increase in edible oil trading to one of its group entities – Parisons Foods Private Limited.

**Low working capital intensive nature of operations** – PIPL’s working capital intensity remains low owing to extended credit period received from suppliers. Besides, as the sales under trading segment is majorly done on a high-seas basis, PIPL’s inventory holding requirement is limited.

### Credit challenges

**Sizeable debt-funded capital expenditure** – PIPL has an ongoing capital expenditure towards setting up storage tank farms in Mangalore with an installed capacity of 30,000 MT. The company has availed term loans of Rs. 12.0 crore for the aforesaid capital expansion and the same is expected to result in moderation of PIPL’s capital structure and coverage indicators.

**Moderate utilisation of PIPL’s storage tanks in Kerala** –The utilisation of PIPL’s storage tanks located in Cochin and Calicut remains moderate owing to ban on import of palm oil, a major revenue driver for Parisons Group, at ports located in Kerala. The Group, therefore, has been importing palm oil at the Mangalore port and transporting it to the refining facilities located in Calicut. Therefore, PIPL is in the process of setting up a storage tank farm in Mangalore port to meet the storage requirements of group entities.

**Susceptibility of margins to foreign exchange fluctuations** – PIPL relies mainly on imports for meeting its raw material requirements and the same makes the profit margins vulnerable to fluctuations in foreign exchange to the extent of the unhedged exposure.

**Analytical approach:** For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

**Links to applicable criteria:**

[Corporate Credit Rating Methodology](#)

### About the company

PIPL is a part of the Parisons Group operating in Kerala. The Group primarily manufactures refined edible oil, vanaspathi and trading of edible oil, wheat and tea, among others. The Group being a large importer of crude and refined edible oils, incorporated PIPL in 2003 for setting up of tank farms in Wellington Island, Cochin and Beypore Port, Calicut. PIPL has a total installed tank capacity of 64,000 MT and the capacity is suited for the storage of vegetable oils and petroleum products. PIPL also trades in crude and refined oil and wheat with its Group companies. The company is in the process of setting up a storage tank farm in Mangalore, with a capacity of 30,000 MT.

## Key financial indicators

	FY2017	FY2018P
Operating Income (Rs. crore)	22.1	44.3
PAT (Rs. crore)	0.7	1.2
OPBDIT/ OI (%)	11.4%	7.1%
RoCE (%)	11.4%	15.9%
Total Debt/ TNW (times)	0.4	0.4
Total Debt/ OPBDIT (times)	1.4	1.8
Interest Coverage (times)	12.2	7.5
NWC/ OI (%)	-2.7%	5.1%

OPBDITA: Operating Profit before Depreciation, Interest, Taxes and Amortisation; ROCE: PBIT/Average (Total Debt + Tangible Net-Worth + Deferred Tax Liability - Capital Work - in Progress); NWC: Net Working Capital; TNW: Tangible Net Worth; PBIT: Profit Before Income Tax P – Provisional

## Status of non-cooperation with previous CRA: Not applicable

Any other information: None

## Rating history for last three years:

Instrument	Type	Current Rating (FY2019)		Chronology of Rating History for the past 3 years			
		Amount Rated (Rs. crore)	Amount Outstanding as on March 31, 2018 (Rs. crore)	Date & Rating in FY2019	Date & Rating in FY2018	Date & Rating in FY2017	Date & Rating in FY2016
Letter of Credit	Short term	15.00		[ICRA]A4+ July 2018	[ICRA]A4 April 2017	-	[ICRA]A4 January 2016

## 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: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Letter of Credit	-	-	-	15.00	[ICRA]A4+

Source: PIPL

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