

Rating Advisory

October 31, 2020 | Mumbai

Prime Fresh Limited

Advisory as on October 31, 2020

This rating advisory is provided in relation to the rating of Prime Fresh Limited

The key rating sensitivity factors for the rating include:

- Scale of operations and profitability
- Working capital management
- Capex plans and funding pattern, thereof

CRISIL Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, it seeks regular updates from companies on business and financial performance. CRISIL is yet to receive adequate information from Prime Fresh Limited (PCSL) to enable it to undertake a rating review. CRISIL is taking all possible efforts to get the rated entity to cooperate with its rating process for enabling it to carry out the rating review.

CRISIL views information availability risk as a key factor in its assessment of credit risk. (Please refer to CRISIL Ratings publication dated April 30, 2012 - 'Information Availability - a key risk factor in credit ratings')

If PCSL continues to delay the provisioning of information required by CRISIL to undertake a rating review then, in accordance with circulars SEBI/HO/MIRSD/MIRSD4/CIR/P/2016/119 dt. Nov 1, 2016, SEBI/HO/MIRSD/MIRSD4/CIR/P/2017/71 dt. June 30, 2017 and SEBI/HO/MIRSD/CRADT/CIR/P/2020/2 dt. January 3, 2020 issued by Securities and Exchange Board of India, CRISIL will carry out the review based on best available information and issue a press release.

About the Company

PCSL, incorporated in 2007, is owned and managed by Mr Jinen Ghelani, Mrs Neha Ghelani, Mr Hardik Ghelani, and Mr Hiren Ghelani. The company, based in Ahmedabad, Gujarat, procures and distributes F&V. The core competency lies in sourcing, handling, sorting, grading, warehousing, ripening, packing, branding, and delivery of F&V, and manpower management.

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Rating Rationale

August 13, 2019 | Mumbai

Prime Customer Services Limited

'CRISIL BB+/Stable' assigned to bank debt

Rating Action

Total Bank Loan Facilities Rated	Rs.8 Crore
Long Term Rating	CRISIL BB+/Stable (Assigned)

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL has assigned its '**CRISIL BB+/Stable**' rating on the long-term bank facilities of Prime Customer Services Limited (PCSL).

The rating reflects the extensive experience of the promoters in the fruit and vegetables (F&V) industry, healthy risk management practices with wide a customer and supplier base, and a moderate financial risk profile. These strengths are partially offset by a modest, though improving, scale of operations, and susceptibility to climatic conditions and to the performance of the agricultural sector.

Key Rating Drivers & Detailed Description

Strengths:

* **Extensive industry experience of the promoters:** The promoters have an experience of over two decades in the agricultural products procurement and distribution business. This has given them a keen understanding of the dynamics of the market, and enabled them to establish relationships with suppliers and customers.

* **Healthy risk management practices with a wide customer and supplier base:** Customers are spread out across western, northern, and north-eastern India. This lowers the reliance on any particular customer for sales and reduces debtor risk. Further, products are sourced from more than 20,000 farmers registered with the company. Additionally, inventory risk is well managed as only F&V which meet quality norms are procured and inventory is only against orders in hand.

* **Moderate financial profile:** The gearing was healthy at 0.2 time as on March 31, 2019. Debt protection metrics were comfortable, with interest coverage and net cash accrual to total debt ratios at 6.4 times and 0.78 time, respectively, in fiscal 2019.

Weaknesses

* **Modest, though improving, scale of operation:** Despite a widespread presence across regions and a variety of products, revenue remained modest at around Rs 43 crore in fiscal 2019. This results in less bargaining power with clients and lower competitiveness, and also restricts economies of scale and operating flexibility.

The modest network at Rs 8.8 crore as on March 31, 2019, restricts financial flexibility, despite the low gearing. The capital raising through issuance of convertible warrants worth Rs 6.5 crore may support improvement in the network over medium term.

* **Susceptibility to climatic conditions and performance of the agricultural sector:** The crop yield of agricultural commodities is dependent on adequate and timely monsoon. Thus, the company is exposed to the risk of limited availability of its key raw material during a weak monsoon. Also, production may be impacted by pests or crop infection, leading to higher unpredictability in production and pricing of agricultural commodities and derived products.

Liquidity

Cash accrual is expected at Rs 1.5-2 crore per fiscal over the medium term against no term debt obligation currently. Average utilisation of the sanctioned bank limit of Rs 2.65 crore was moderate at around 73% during the 12 months through March 2019. The current ratio was healthy at 2.22 times as on March 31, 2019.

Outlook: Stable

CRISIL believes PCSL will continue to benefit over the medium term from its longstanding relationship with principals, and the experience of the management in mitigating inherent risks in the industry. The outlook may be revised to Positive in case of a significant and sustainable increase in cash accrual while ensuring a stable capital structure. The outlook may be revised to 'Negative' if business stagnates due to weak demand, or there is a stretch in the working capital cycle or large debt-funded capital expenditure.

About the Company

PCSL, incorporated in 2007, is owned and managed by Mr Jinen Ghelani, Mrs Neha Ghelani, Mr Hardik Ghelani, and Mr Hiren Ghelani. The company, based in Ahmedabad, Gujarat, procures and distributes F&V. The core competency lies in sourcing, handling, sorting, grading, warehousing, ripening, packing, branding, and delivery of F&V, and manpower management.

Key Financial Indicators

As on / for the period ended March 31	Units	2019	2018
Operating income	Rs crore	43.2	36.1
Reported profit after tax (PAT)	Rs crore	1.3	0.98
PAT margin	%	2.9	2.8
Adjusted debt/adjusted networth	Times	0.2	0.38
Interest coverage	Times	6.4	9.2

Any other information: Not applicable

Note on complexity levels of the rated instrument:

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Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of Allotment	Coupon Rate (%)	Maturity Date	Issue Size (Rs Cr)	Rating Assigned with Outlook
NA	Cash Credit	NA	NA	NA	2.65	CRISIL BB+/Stable
NA	Proposed Long Term Bank Loan Facility	NA	NA	NA	5.35	CRISIL BB+/Stable

Annexure - Rating History for last 3 Years

Instrument	Type	Current		2019 (History)		2018		2017		2016		Start of 2016
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund-based Bank Facilities	LT/ST	8.00	CRISIL BB+/Stable		--		--		--		--	--

All amounts are in Rs.Cr.

Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Cash Credit	2.65	CRISIL BB+/Stable	--	0	--
Proposed Long Term Bank Loan Facility	5.35	CRISIL BB+/Stable	--	0	--
Total	8	--	Total	0	--

Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

[Rating criteria for manufacturing and service sector companies](#)

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