

May 09, 2016

Facilities	Amount (Rs. Crore)	Rating
Term Loan	0.65 (Reduced from Rs. 1.32 crore)	SMERA BB/Stable (Reaffirmed)
Cash Credit	13.00 (Enhanced from Rs. 8.25 crore)	SMERA BB/Stable (Reaffirmed)

SMERA has reaffirmed rating of '**SMERA BB**' (read as **SMERA double B**) on the Rs.13.65 crore long-term (fund-based) bank facilities of Welga Foods Limited (WFL). The outlook continues to remain '**Stable**'.

The rating continues to draw comfort from the company's experienced management and moderate financial risk profile. The rating also notes the strategic location of the processing unit, comfortable liquidity position and established operations. However, the rating continues to remain constrained by the small-scale of operations in an intensely competitive segment of the food processing industry. The rating also factors in the working capital intensive operations and exposure to agro-climatic risk.

### Update

For FY2014-15 (refers to financial year, April 01 to March 31), WFL has registered net profit of Rs.0.25 crore on operating income of Rs.15.73 crore as against net profit of Rs.0.37 crore on operating income of Rs.14.86 crore in FY2013-14. Despite increase in operating income, the net profit has moderated due to increase in raw material prices. The financial risk profile continues to remain moderate marked by leverage (debt-equity ratio) of 1.42 times as on March 31, 2015 against 1.07 times during the previous year. The interest coverage ratio was 2.86 times in FY2014-15 as compared to 4.34 times in FY2013-14 (refers to financial year, April 01 to March 31).

WFL benefits from its experienced management. Mr. Gyan Prakash and Mr. Gaurav Prakash, the Directors, have decades of experience in the food processing industry.

However, the company's operations are capital intensive evident from the gross current assets (GCA) of 305 days as on March 31, 2015. Besides, the company faces intense market competition.

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## Outlook: Stable

SMERA believes WFL will maintain a stable business risk profile over the medium term. The company will continue to benefit from its established operations and long-standing relations with customers and suppliers. The outlook may be revised to 'Positive' if the company registers higher-than-expected cash accruals owing to sustained growth in revenues and profitability. Conversely, the outlook may be revised to 'Negative' in case of steep decline in profitability or significant deterioration in the capital structure and liquidity position.

## Rating Sensitivity Factors

- Improvement in revenue and profitability
- Efficient working capital
- Large debt funded capital expansion

## About the Company

The Uttar Pradesh-based WFL, established in 1983 was promoted by Mr. Gyan Prakash and Mr Gaurav Prakash. The company undertakes processing of green peas and other vegetables and has its processing unit at Budaun, Uttar Pradesh.

For FY2014–15, WFL reported profit after tax (PAT) of Rs.0.25 crore on operating income of Rs.15.73 crore, as compared with PAT of Rs.0.37 crore on operating income of Rs.14.29 crore in the previous year. As per the provisional financials for 11 months ended February 2016, the company has booked revenue of Rs.18.45 crore. The net worth stood at Rs.6.67 crore as on March 31, 2015, as compared with Rs.6.43 crore a year earlier.

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