

October 31, 2015

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	6.50	SMERA B+/Stable (Assigned)
Cash Credit (Proposed)	3.50	SMERA B+/Stable (Assigned)

SMERA has assigned a long-term rating of '**SMERA B+**' (read as **SMERA B Plus**) to the Rs.10.00 crore bank facilities of Kuber Foods (KF). The outlook is '**Stable**'. The rating is constrained by the moderate scale of operations in the rice industry, weak profitability metrics and debt protection indicators. However, the rating draw support from the firm's experienced management and proximity to raw material sourcing region.

Rating Sensitivity Factors

- Scaling up of operations while improving profitability
- Maintaining working capital cycle

Outlook: Stable

SMERA believes that the firm will maintain a stable business risk profile owing to the management's extensive experience in the rice milling business. The outlook may be revised to 'Positive' in case of improvement in profitability and capital structure while improving the scale of operations. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial profile.

About the Firm

The Haryana-based KF, a partnership firm established in 2002 is engaged in the milling, processing and selling of basmati rice. The firm has a fully automatic plant at Karnal, Haryana with a milling capacity of 2 tonnes per hour and the byproducts of basmati rice viz husk, rice bran and 'phak' are sold in the domestic market.

For FY2014-15, KB reported net profit of Rs.0.14 crore on operating income of Rs.24.43 crore as compared to net profit of Rs.0.11 on operating income of Rs.21.68 crore in FY2013-14. The company's net worth stood at Rs.3.68 crore (including unsecured loan of Rs.3.23 crore) as on March 31, 2015, as compared with Rs.2.73 crore (including unsecured loan of Rs.2.37 crore) a year earlier.

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