

Kuber Foods: Reaffirmed

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

SMERA has reaffirmed the long-term rating of '**SMERA B+**' (read as **SMERA B plus**) on the Rs.10.00 crore bank facilities of Kuber Foods (KF). The outlook is '**Stable**'.

The rating continues to be constrained by the moderate scale of operations and financial risk profile. The rating also factors in the competitive and fragmented rice industry. However, the rating continues to draw support from the experienced promoters and proximity to raw material sources.

Update

KF is engaged in the milling, processing and selling of basmati rice. The firm continues to be constrained by the moderate scale of operations marked by operating income of Rs.36.63 crore in FY2015-16 as compared to Rs.24.43 crore in FY2014-15. The financial risk profile continues to be moderate. The operating margins stand at 1.84 per cent in FY2015-16 as against 1.85 per cent in FY2014-15. The PAT margins stood at 0.46 per cent in FY2015-16 against 0.57 per cent a year earlier. The gearing (debt-equity ratio) stood at 1.59 times as on 31 March 2016 as against 1.10 times a year earlier.

However, KF continues to draw support from the experienced promoters, Mr. Anil Kumar and Mr. Rajiv Kumar, who possess experience of over two decades in the rice industry. Further, KF continues to benefit from its proximity to raw material sources. The milling plant is located in Karnal, Haryana which provides proximity to paddy.

Rating Sensitivity Factors

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

Outlook-Stable

SMERA believes that KF will maintain a stable outlook in the medium term and continue to benefit from its experienced management. The outlook may be revised to 'Positive' if the scale of operations increases substantially while also maintaining operating profitability and improvement in the financial risk profile. Conversely, the outlook may be revised to 'Negative' if the firm fails to achieve scalability amidst intensifying competition in its area of operations or if the financial risk profile deteriorates. This could be owing to higher-than-expected increase in debt-funded capex or working capital requirements.

Criteria applied to arrive at the ratings:

- Manufacturing Entities

About the Firm

Kuber Foods established as a partnership firm in 2002 is engaged in the milling, processing and selling of basmati rice at Karnal, Haryana. The firm is headed by Mr. Anil Kumar and Mr. Rajiv Kumar, partners. The firm has a fully automated plant at Karnal with milling capacity of 2 tonnes per hour. The byproducts of basmati rice - husk, rice bran and 'phak' are sold in the domestic market.

For FY2015-16, the firm reported PAT (profit after tax) of Rs.0.17 crore on operating income of Rs.36.63 crore, as compared with PAT of Rs.0.14 crore on operating income of Rs.24.43 crore in FY2014-15. The net worth stood at Rs.4.87 crore as on March 31, 2016 against Rs.3.68 crore a year earlier.

Rating History:

Date	Facilities	Amount (in Rs. Crore)	Rating		Rating Outlook
			Long Term	Short Term	
31 Oct, 2015	Cash Credit	6.50	SMERA B+ (Assigned)	-	Stable
	Proposed Cash Credit	3.50	SMERA B+ (Assigned)	-	Stable

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ABOUT SMERA

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