

Press Release

Kuber Foods

08 November, 2017

Rating Upgraded and Assigned



Total Bank Facilities Rated*	Rs. 15.00 Cr. (Enhanced from Rs. 10.00 Cr.)
Long Term Rating	SMERA BB- /Stable (Upgraded from SMERA B+ /Stable)

**Refer annexure for details*

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

Further, SMERA has assigned long term rating of **SMERA BB- (read as SMERA double B minus)** on the Rs. 5.00 crore bank facilities of Kuber Foods (KF).

The upgrade is in view of the significant growth in revenues along with profitability margins of the firm. SMERA believes that going ahead, the firm will sustain growth in revenue and profitability margins over the medium term.

Kuber Foods, a partnership firm was established in 2002 by Mr. Rajeev Kumar and Mr. Anil Kumar. The firm is engaged in the milling of paddy and processing of rice and also generates by-products such as broken rice, husk and bran. The manufacturing facility is located at Tarori Karnal, Haryana with installed capacity of 1.50 tonnes per hour.

Key rating drivers

Strengths

Experienced management

Mr. Anil Kumar and Mr. Rajeev Kumar, Partners have more than two decades of experience in the rice industry.

Significant growth in revenues along with profitability margins

KF has registered significant growth in revenue along with profitability margins during the period under study. The revenue for FY2017 (Provisional) stood at Rs. 70.05 crore as against Rs. 36.63 crore in FY2016 and Rs. 24.43 crore in FY2015. The profitability margins improved during the period under study. The EBITDA margins stood at 2.04 per cent in FY2017 (Provisional) as against 1.84 per cent in FY2016. The margins improved on account of a good crop in FY2017 and decline in raw material cost over FY2016. The PAT margins also improved to 0.52 per cent in FY2017 (Provisional) as against 0.46 per cent in FY2016.

SMERA believes that the firm will sustain growth in revenues and profitability margins over the medium term.

Average financial risk profile

The financial risk profile of KF remains average marked by net worth of Rs. 5.62 crore as on 31 March, 2017 (Provisional) which includes unsecured loans to the tune of Rs. 4.80 crore considered as quasi equity. The net worth stood at Rs. 4.87 crore as on 31 March, 2016. The gearing stood at 1.63 times as on 31 March, 2017 (Provisional) as against 1.59 times as on 31 March, 2016. The total debt of Rs.9.14 crore outstanding as on 31 March, 2017 is working capital borrowings and the firm has no long term debt. The interest coverage ratio stood at 1.38 times in FY2017 (Provisional) against 1.34 times in FY2016.

The net cash accruals stood at Rs. 0.40 crore in FY2017 (Provisional) as against Rs. 0.19 crore in FY2016. The NCA/TD stood at 0.04 times in FY2017 as against 0.02 times in FY2016.

Weaknesses

Working capital intensive operations

KF has working capital intensive operations marked by high GCA days of 109 in FY2017 (Provisional) as against 112 in FY2016. This is majorly on account of high inventory holding period of 89 days in FY2017 as against 75 days in FY2016. The debtor days stood at 21 in FY2017 (Provisional) compared to 38 in FY2016. The working capital days stood at 61 in FY2017 (Provisional) as against 103 in FY2016. The bank limit utilisation stood at ~80percent for the last six months ended October 2017.

Agro climatic risks

Paddy, the main raw material required for rice is a seasonal crop and production of the same is highly dependent upon the monsoon. Thus inadequate rainfall may affect the availability of paddy under adverse weather conditions.

The firm is exposed to risks related to fluctuations in raw material prices as the price of paddy is largely dependent on several external factors including domestic production and demand, international trade regulations. Thus, the firm is exposed to significant risks related to raw material fluctuation.

Analytical approach: SMERA has considered the standalone business and financial risk profiles of Kuber Foods to arrive at the rating.

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Outlook – Stable

SMERA believes that the firm will maintain a stable outlook on the back of 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 Rated Entity – Key Financials

In FY2016-17 (Provisional), the company reported profit after tax (PAT) of Rs.0.36 crore on operating income of Rs.70.05 crore as against net profit of Rs.0.17 crore on operating income of Rs.36.63 crore in the previous year. The tangible net worth stood at Rs. 5.62 crore as on 31 March, 2017 as against Rs.4.87 crore a year earlier.

Status of non-cooperation with previous CRA (if applicable): None

Any other information: None

Rating History for the last three years:

Date	Name of Instrument/ Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
07-Dec, 2016	Cash Credit	Long Term	6.50	SMERA B+ / Stable (Reaffirmed)
	Proposed Cash Credit	Long Term	3.50	SMERA B+ / Stable (Reaffirmed)
31-Oct, 2015	Cash Credit	Long Term	6.50	SMERA B+ / Stable (Assigned)
	Proposed Cash Credit	Long Term	3.50	SMERA B+ / Stable (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings
Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.50 (Enhanced from Rs. 6.50 Cr.)	SMERA BB-/Stable (Upgraded from SMERA B+/Stable)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.50	SMERA BB-/Stable (Upgraded from SMERA B+/Stable)
Proposed Inventory Funding	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA BB-/Stable (Assigned)

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ABOUT SMERA

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