

Safal Food Products Private Limited: Assigned

Facilities	Amount (Rs. Crore)	Rating/Outlook
Cash Credit	14.00	SMERA BB/Stable (Assigned)
Term Loan	2.70	SMERA BB/Stable (Assigned)

SMERA has assigned rating of '**SMERA BB**' (read as **SMERA double B**) to the Rs.16.70 crore bank facilities of Safal Food Products Private Limited (SFPPL). The outlook is '**Stable**'.

The rating draws support from the company's experienced management and diversified product portfolio. The rating is also strengthened by the above-average financial risk profile and strong distribution network. However, the rating is constrained by the modest scale of operations and working capital intensive business. The rating is also constrained by the intense market competition and susceptibility of profit margins to volatility in raw material prices.

SFPPL incorporated in 2007 benefits from its experienced management. Mr. Prakash Kataria, Director has experience of around two decades in the industry. The company is engaged in the manufacturing of various types of pickles and spices. SFPPL operates with a strong distribution network of around 300 people. The above average financial risk profile is marked by comfortable interest coverage ratio (ICR) of 2.45 times and debt service coverage ratio (DSCR) of 1.57 times. The total net worth stands comfortable at Rs. 11.76 crore with modest gearing (debt to equity) of 1.51 times as on March 31, 2016 (Provisional). However, the rating is constrained by the modest scale of operations at Rs.62.50 crore (Provisional) FY2016 and working capital intensive operations with working capital days of 128 and gross current asset days of 136 mainly on account inventory holding (96 days) in the months of procurement. The rating is also constrained by the intense market competition and susceptibility of profit margins to volatility in raw material prices.

Rating Sensitivity Factors

- Scaling up operations
- Improvement in profitability
- Efficient working capital management

Outlook-Stable

SMERA believes that SFPPL will maintain a stable outlook in the medium term owing to its experienced management and established track record of operations. The outlook may be revised to 'Positive' in case the company registers sustained growth in revenues while improving margins. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile.

Criteria applied to arrive at the rating:

- Manufacturing Entities

About the Company

SFPPL, incorporated in 2007, is a Nagpur-based company promoted by Mr. Prakash Kataria and Ravi Jain. The company is engaged in the manufacturing of pickles and spices.

For FY2014-15, SFPPL registered profit after tax (PAT) of Rs.0.99 crore on operating income of Rs.50.08 crore, as compared with PAT of Rs.1.62 crore on operating of Rs.54.79 crore in FY2013-14.

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ABOUT SMERA

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