

Press Release

Hanuman Foods

June 11, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 22.50 Cr.
Long Term Rating	ACUITE BB- / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB-**' (**read as ACUITE BB minus**) on the Rs.22.50 crore bank facilities of Hanuman Foods. The outlook is '**Stable**'.

Hanuman Foods was established in 1998 as a partnership firm with Mr. Sanjeev Kumar and Mr. Surender Kumar as partners. Hanuman Foods is engaged in the business of processing and trading of rice in domestic as well as overseas markets, primarily to Saudi Arabia, Dubai, Europe and Kuwait. The firm has a milling capacity of 6 tonnes per hour for paddy at its manufacturing unit at Karnal (Haryana). The firm sells its product under the brand name 'Good luck'.

Key Rating Drivers

Strengths

- **Experienced management**

The promoters have been in the agro industry for two decades now. The firm is promoted by Mr. Surinder Kumar and Mr. Sanjeev Kumar. Acuité believes that the long standing presence is expected to benefit the firm in the medium term.

- **Moderate working capital intensity**

The Gross Current Asset (GCA) days of the firm is high at 166 as on March 31, 2018 (Provisional) from 144 as on March 31, 2017 mainly on account of high inventory at 105 days as on March 31, 2018 (Provisional) compared to 126 days as on March 31, 2017. The debtor days stood at 68 for FY2018 (Provisional). Acuité believes that the working capital intensity will remain on the similar line in the medium term.

Weaknesses

- **Susceptibility to volatility in the raw material**

Being into agro business, HF is exposed to raw material price volatility as the key input of the firm i.e. paddy and the production of the same is dependent on favorable climatic condition. So, any adverse environmental change can impact the production of the crop and hence the prices. Also, as the crop is seasonal in nature, the firm requires huge inventory for production throughout the year.

- **Moderate financial risk profile**

The firm reported tangible net worth of Rs.9.70 crore as on March 31, 2018 (Provisional) as compared to Rs.9.17 crore as on March 31, 2017. Total debt stood at Rs. 18.71 crore as on March 31, 2018 (Provisional) as compared to Rs.19.61 crore as on March 31, 2017. The gearing stood at 1.93 times as on March 31, 2018 compared to 2.14 ending March 31, 2017. Interest Coverage Ratio stood strong at 1.19 times and DSCR is at 1.12times as on March 31, 2018.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the HF to arrive at this rating.

Outlook: Stable

ACUITE believes the outlook on HF group will remain 'Stable' over the medium term. The outlook may be revised to 'Positive' in case the firm registers significant increment in its revenue and profitability while improving its liquidity position. The outlook may be revised to 'Negative' in case of deterioration in the financial risk profile and stretched working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY18 (Prov)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	52.21	60.78	43.40
EBITDA	Rs. Cr.	2.86	2.76	3.17
PAT	Rs. Cr.	0.23	0.14	0.13
EBITDA Margin	(%)	5.48	4.54	7.30
PAT Margin	(%)	0.44	0.24	0.30
ROCE	(%)	9.27	8.02	8.32
Total Debt/Tangible Net Worth	Times	1.93	2.14	2.87
PBDIT/Interest	Times	1.19	1.16	1.15
Total Debt/PBDIT	Times	6.52	7.09	7.98
Gross Current Assets (Days)	Days	166	144	252

Status of non-cooperation with previous CRA (if applicable)

ICRA, vide its press release dated Jan 31, 2018 had denoted the rating of Hanuman Foods as '[ICRA] B (Stable)/A4 ISSUER NOT COOPERATING on account of lack of adequate information required for monitoring of ratings. The earlier rating, however, stood at '[ICRA] B (Stable)/A4' vide its press release dated June 6, 2016.

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Term loans	Not Applicable	Not Applicable	Not Applicable	0.17	ACUITE BB- / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	22.00	ACUITE BB- / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	0.33	ACUITE BB- / Stable

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About Acuité Ratings & Research:

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