

## Rating Rationale

### Brickwork Ratings assigns 'BWR B+' & 'BWR A4' for the Bank Loan facilities aggregating to ₹ 31.50 Cr of Asandas & Sons.

Brickwork Ratings has assigned the following **Rating<sup>1</sup>** for Bank Credit facilities sanctioned/availed amounting to Rs.31.50 Cr by **Asandas & Sons (AS or the 'Firm')** :-

Facility	Limits (In ₹ Cr)	Tenure	Rating
<b>Fund Based</b>		<b>Long Term</b>	<b>BWR B+</b> (Pronounced BWR B plus)  <b>Outlook-Stable</b>
Cash Credit	4.50		
Term Loan	26.00		
<b>Non Fund Based</b>	1.00	<b>Short Term</b>	<b>BWR A4</b> (Pronounced BWR A Four)
Bank Guarantee			
<b>Total</b>	<b>31.50</b>	<b>INR Thirty One Crores &amp; Fifty Lakhs only</b>	

BWR has principally relied upon the audited financial results of FY12 - FY14, projected financial results of FY15, publicly available information and information/clarification provided by the company's management.

The rating has factored, inter alia, longstanding experience of promoter's vegetable trading business and established business set up and backward linkages in form of raw material procurement.

The Rating is however, constrained by project implementation risk associated with the project, funding risk stemming from procedural delays involved in releasing of subsidy from Ministry of Food processing industry and limited track record in frozen food business.

#### Background:

Asandas & Sons (AS) set up in year 1962, was primarily engaged in trading of vegetables. The firm has now decided to enter in to food processing segment and currently is in process of implementing a project to set up frozen food processing unit with capacity of 16800 MT PA. AS would be initially manufacturing French Fries and Formed products. The project is ~55% complete and is expected to be commercially operational by August 2015.

<sup>1</sup> Please refer to [www.brickworkratings.com](http://www.brickworkratings.com) for definition of the Ratings

The firm will be mainly catering to wholesale segment with specific focus on hotels, restaurants and caterers.

**Management Profile:**

The operations of the firm are managed by two partners namely Mr. Jayraj Karamchandani and Mr. Kishan Karamchandani. Both partners have around four decades of experience in wholesale trading of Vegetables. Furthermore the sons of both partners are also involved in management of the firm, Mr. Haresh Jayraj Karamchandani being responsible for overall operations of the plant and Mr Kamlesh Kishan Karamchandani for Sales & Marketing activities. Additionally the firm would be supported by team of professionals having experience in frozen food segment.

**Financial Performance:**

The firm was operating as whole trader of vegetables; the trading activity was stopped in July 14. Thus Financials for FY15 are for a period of 4 months. The firm has received total commission of Rs.0.72 crore on total sales of Rs.12.00 crore and reported net profit of Rs. 0.23 crore for FY15. The net worth of the firm stood at Rs.6.77 crore as on March 31<sup>st</sup> 2015. Also the financial performance for FY 14 is from trading of vegetables activity. Hence financial risk is appraised based on project risk. Total cost of the project is Rs.46.12 crore which would be funded to the extent of Rs.26 crore by bank finance, promoters’ contribution of Rs.12.37 crore in form of equity capital and unsecured loans and rest would be funded by capital subsidy of Rs.7.75 crore from Ministry of Food processing Industry.

**Rating Outlook:**

The rating outlook is expected to be stable over the current year. Going forward, timely completion of the project, stabilize and scale up its operations to the projected levels, achieve financial closure in terms of projected sources of funds ,strengthen its capital structure and sustain its working capital efficiently would be the key rating sensitivities.

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