

Rating Rationale

Brickwork Ratings assigns 'BWR B+' for the Bank Loan Facilities aggregating ₹ 5.07 Cr of CF Foods Private Limited

Brickwork Ratings (BWR) has assigned the following **Rating¹** for Bank Loan Facilities of CF Foods Private Limited (*CFFPL or the 'Company'*).

Facility	Amount (₹ Cr)	Tenure	Rating
Term Loan	5.07	Fund Based Long Term	BWR B+ (BWR B Plus) Outlook: Stable
Total	5.07	INR Five Crores & Seven Lakhs only	

BWR has principally relied upon the audited financial results for FY11, FY12 and FY13, projected financials for FY14 and FY15 of CF Foods Private Limited, publicly available information and information/clarification provided by the Company's management.

The rating factors, inter alia, the experience of promoters and the management in the current line of business and the contract manufacturing arrangement with Parle Products Private Limited which ensures steady demand. The rating is however constrained by high customer concentration risk, accumulated book losses, high gearing level, weak debt protection metrics and average capacity utilization.

Background

CF Foods Private Limited (earlier known as Pardini International Private Limited) is a private Limited company, registered on 30th May 2008 at Mumbai. CFFPL is currently into contract manufacturing exclusively for Parle Products Private Limited. The manufacturing facility is located at Hospet in Karnataka. As per the contract the Company will be manufacturing a maximum of 1800 tons per month. CFFPL has associate companies which are into power generation business.

CF Energy & Biofuels Private Limited holds 85.86% shares of the Company. Mr. Pathapati Umapathi and Mr. Narasarajo G Premakumari each hold around 7% shares in the Company.

¹ Please refer to www.brickworkratings.com for definition of the Ratings

Management Details:

Mr. Prakash Kakaraddi, Mr. Swapan K Hazra and Mr. Narendra Jadhav are directors of the Company. The Company has an experienced and well qualified management team.

Business Highlights

CFFPL is currently into contract manufacturing exclusively for Parle Products Private Limited. The manufacturing facility is located at Hospet in Karnataka. The production started in May, 2011. The current capacity of the plant is 1800 MT of Parle Glucose biscuit per month. The raw materials in the form of ingredients and packaging material are supplied by Parle itself. There is in-house training of the employees to ensure quality and a representative from Parle is also present at the manufacturing facility to ensure the same.

Financial Highlights:

As per the audited financial statements for FY13, the Company recorded a Net Revenue of ₹ 6.10 Cr resulting in a Net loss of ₹ 0.08 Cr. The turnover has increased by 54.82 per cent from FY12 level. The Net Profit Margin is -1.23 per cent for FY13. The Tangible Net worth of the Company is ₹ 3.19 Cr in FY13. As per FY13, the Company has accumulated losses of ₹ 1.76 Cr. The Company had outstanding Term Loan of ₹ 5.07 Crores from State Bank of India. The Debt-to-Equity is 2.93 times and the Current Ratio is 0.31 in FY13.

Rating Outlook:

Currently the outlook for the Company remains stable. Going forward, the ability of the Company to optimally utilize its capacity, improve profitably and cover up the accumulated losses would be the key rating sensitivities.

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