

Rating Rationale

Brickwork Ratings, on a review, reaffirms ‘BWR BB+’ for Bank Loan Facilities aggregating ₹ 95 Cr (enhancement from ₹ 89.25 Cr to ₹ 95 Cr) of M/s Charbhujia Industries Private Limited.

Brickwork Ratings, on a review, has reaffirmed the following **Ratings¹** for Bank Loan facilities of M/s Charbhujia Industries Private Limited (*CIPL or The Company*).

Facility	Previous Limits (₹ Crores)	Present Limits (₹ Crores)	Proposed Limits (Rs. crores)	Tenure	Previous Rating	Present Rating
Fund Based	48.25	47.00	10.00	Long Term	BWR BB+ Pronounced as BWR Double B Plus Outlook: Stable	BWR BB+ Pronounced as BWR Double B Plus Outlook: Stable (Reaffirmation)
Fund Based and Non Fund Based	41.00	38.00	0.00	Short Term	BWR A4+ Pronounced as BWR A Four Plus	BWR A4+ Pronounced as BWR A Four Plus (Reaffirmation)
Sub-Total	89.25	85.00	10.00	INR Ninety Five Crores Only		
total	89.25	95.00				

Bank Loan Facility Details Provided in Annexure-1

BWR has principally relied upon the audited results up to FY14, Projections upto FY17 and information/clarification provided by the Company’s management.

The ratings factor the experience of the promoters in groundnut trading and exporting business, established relationship with customers in south eastern countries, improvement in operating margins from FY13 to FY14 and Export order book position.

However, the ratings are constrained by decline in turnover in FY14 over FY13 and vulnerability of the Company’s business to monsoon which plays a significant role in availability of groundnuts.

Background

CIPL was incorporated in the year 1982 and was in the business of trading and manufacturing of groundnut seeds. The promoter of the Company is Shri. Chandrakant Gawade.

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

From 1987, Company is engaged in the business of export of processed groundnuts which contributed ~97.14% and ~95.92% of the total turnover during FY13 and FY14 respectively.

Until 2010 the Company had outsourced the activity of processing groundnuts. However after commissioning of its own plant in Rajkot the Company has the capacity to process 200 Metric tons of groundnuts per day (60000 MT per annum). Current capacity utilization is ~90 per cent. In Dec 2013, the Company has commissioned its new Peanut Roaster plant.

Financial Performance

CIPL's revenues have declined from Rs. 315.89 crores in FY13 to Rs. 221.39 crores in FY14. Decline in revenues are mainly due to 17% decline in International selling prices and 16% decline in quantity sale. In FY14, ~96% of revenues amounting to Rs 212.37 Crores were generated from exports and rest was from domestic sales. In spite of decline in net revenues, operating margins have improved from 3.50% in FY13 to 5.22% in FY14. The Company has witnessed a marginal decline in net profit margin from 0.63 per cent in FY13 to 0.53 per cent in FY14 mainly due to loss incurred on foreign exchange currency of Rs. 2.28 crores.

During FY14, the Company has completely repaid its outstanding term loan of Rs. 0.69 crores. It proposes a fresh term loan of Rs. 5.00 crores for acquiring of new machineries for producing Peanut Milk, Peanut Tofu and Peanut Butter etc. As on March 31, 2014 Company's short term debt stood at Rs. 78.85 crores. In FY14, net-worth of the company reported at Rs. 39.24 crores, an increase from Rs.37.87 crores due to retention of profits and receipt of capital subsidy of Rs. 0.25 crores. Debt Equity ratio has slightly deteriorated from 1.81 times in FY13 to 2.01 times in FY14 mainly due to increase in working capital borrowings from banks. Currently, the Company is availing fund based working capital facilities of Rs. 82.50 Crores and Non-fund based facility of Rs.2.50 Crores. It has approached its bankers for an enhancement in the Bank facilities of Rs.10.00 crores which includes Rs. 5.00 crores Term loan mentioned above. The Company's Bankers have reported satisfactory conduct of the credit facilities and they remain standard assets with them.

Industry

During FY13 and FY14, exports of groundnuts from India in terms of quantity stood at 5.35 Lakh MT and 5.09 Lakh MT respectively. According to the data available, during FY15, production and exports of groundnut will drop by about 3.53 per cent and 16.66 per cent respectively and domestic consumption will increase by 1.56 per cent, indicating exporters are likely to face tight peanut supplies. However, demand for peanuts will remain strong, particularly in China, Indonesia, Malaysia, Philippines, Vietnam, Pakistan, Ukraine, Singapore and Yemen.

Rating Outlook

The outlook of the Company for the next one year is expected to be stable. In FY14, the Company has incurred a foreign exchange loss of Rs.2.28 crores. It should take appropriate measures to protect against such losses. Going forward, the ability of the Company to achieve its projected turnover and improving the net margins will be the key rating sensitivities.

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M/s Charbhujia Industries Private Limited
Annexure-I

Existing Limits:

Name of the Bank	Facility Details	Tenure	Previous Amounts (Rs. Crores)	Present Amounts (Rs. Crores)
State Bank of India	CC/EPC/PSC	Long Term	37.50	37.50
	LC	Short Term	2.50	2.50
	Term Loan	Long term	1.25	0.00*
Punjab national Bank	PCFC	Short Term	15.00	14.50
	Standby PCFC	Short Term	2.50	0.00
DBS	PCFC	Short Term	21.00	21.00
State Bank of Mauritius	CC/WCDL/PCFC/FBD	Long term	9.50	9.50
Total			89.25	85.00

*Term Loan amount has been repaid.

Proposed Limits:

Name of the facility	Proposed Limits (Rs. Crores)
Working Capital Limits	5.00
Term Loan	5.00
Total Limits	10.00