

## Rating Rationale

### Elegance Food Processing and Impex Pvt.Ltd

22 Jan 2018

Brickwork Ratings assigns rating for the Bank Loan Facilities amounting to Rs. 13.25 Crs of Elegance Food Processing and Impex Pvt.Ltd. (EFPIPL)

#### Particulars:

Facilities Rated <sup>#</sup>	Amount (Rs. Crs)	Tenure	Rating *
<b>Fund Based</b>	<b>13.00</b>	<b>Long Term</b>	<b>BWR B+</b> <b>(Pronounced BWR B Plus)</b> <b>(Outlook: Stable)</b>
Cash Credit	9.50		
Term Loan	3.50		
<b>Non-Fund Based</b>	<b>0.25</b>	<b>Short Term</b>	<b>BWR A4</b> <b>(Pronounced as BWR A Four)</b>
Bank Guarantee	0.25		
<b>Total</b>	<b>13.25</b>	<b>(INR Thirteen Crores and Twenty Five Lakhs Only)</b>	

\* Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

#### Rationale/Rating sensitivities:

BWR has essentially relied upon projections made and submitted to the bank for appraisal of the project, publicly available information and clarification provided by the management.

The rating draws strength from the adequate experience of promoters in the business, satisfactory financials as per the projections made and accepted by the lenders and location advantage to the company. The rating notes that the financial closure has been achieved and disbursements made and trial runs commenced. The ratings are however, constrained by the inherent risks associated with a Greenfield Project and intense competition from several similar players in the unorganised sector.

The ability of the company to stabilize the operations as per the estimates made by the lenders shall be the key rating sensitivities.



### **Key Rating Drivers:**

The promoters have an extensive experience of the business and have been involved with the three associates which are engaged in agro commodity trading and processing. .

Financial closure has been achieved and disbursements made. The financials are satisfactory as per the projections made and accepted by the lenders. Commercial production for groundnut processing commenced from September 2017 and commercial production for fine flour is estimated to commence from February 2018.

The firm is located at Halvad, Morbi and thus has a competitive advantage in terms of skilled labour, and logistics making the industry cost effective and efficient.

The company is exposed to inherent risks associated with a Greenfield project. Also, the unit faces intense competition from numerous existing/similar units coming up in and around Morbi in Gujarat.

### **Analytical Approach:**

While assigning the Ratings, BWR has applied its rating methodology as detailed in the Rating Criteria (hyperlinks provided at the end of this rationale).

### **Rating Outlook: Stable**

BWR believes the “Elegance Food Processing and Impex Pvt. Ltd.’s” business risk profile will be maintained over the medium term. The ‘Stable’ outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the sales and profitability match/surpass the estimates. The rating outlook may be revised to 'Negative' in case the revenues and profits fail to match the projections.

### **About the Company:**

EFPIPL was incorporated in May 2014 with the registered office at Halvad, Morbi, Gujarat and is engaged in the processing and trading of agro commodities, mainly oil seeds. The company has been promoted by Mr. Hasmukhbhai V Patel, Mr. Bharatbhai V Patel, Mr. Jitendra B Raiyani, Mr. Becharbhai B Patel, Mr. Anilkumar B Patel and Mr. Kishan P Vaidya.

### **Project Details:**

The company is setting up an agro processing facility with an installed capacity of 7420 MTPA of groundnut processing and 12600 MTPA of fine flour. Commercial production for groundnut processing commenced from September 2018 and that of fine flour is estimated for February 2018.

The cost of the project has been estimated at Rs. 9.95 Crs, to be funded by Bank borrowings of Rs. 3.50 Crs, promoters' contribution of Rs. 5.25 Crs and unsecured loans of Rs. 1.20 Crs. The credit facilities have since been sanctioned by the bank and disbursements made.

**Company Financial Performance:**

As at 30.11.2017, ~Rs. 7.57 Crs has been expended on the project; funded by equity capital of ~3.22 Crs, term loan disbursement of ~Rs. 3.24 Crs and unsecured loans of ~Rs. 1.11 Crs.

The Company has estimated a TOI of Rs.20.64 Crs and a PAT of Rs. 0.13 Cr for FY18.

**Company's Financial Performance:**

Key Financial Figures			
Particulars	Unit	FY16	FY17
Operating Income	Rs. Crores	-----	----
EBITDA	Rs. Crores	-----	-----
PAT	Rs. Crores	-----	-----
Tangible Net worth	Rs. Crores	-----	-----
TOL :TNW	Times	-----	-----

**Rating History for the last three years:**

Sl. No.	Facility	Current Rating (January 2018)			Rating History		
		Type	Amount (Rs Crs)	Rating	2017	2016	2015
<b>Fund Based</b>							
1.	Cash Credit	Long Term	9.50	BWR B+ (Outlook: Stable)	NA	NA	NA
2.	Term Loan		3.50				
<b>Non Fund Based</b>							
1.	Bank Guarrantee	Short Term	0.25	BWR A4	NA	NA	NA
<b>Total</b>			<b>13.25</b>	<b>INR Thirteen Crores and Twenty Five Lakhs Only</b>			

**Hyperlink/Reference to Applicable Criteria:**

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)

Analytical Contacts	Media
<a href="#">Sunil Bharadwaj</a>	<a href="mailto:media@brickworkratings.com">media@brickworkratings.com</a>
<a href="#">AGM - Ratings</a>	<b>Relationship Contact</b>
<a href="mailto:analyst@brickworkratings.com">analyst@brickworkratings.com</a>	<a href="mailto:bd@brickworkratings.com">bd@brickworkratings.com</a>
<b>Phone: 1-860-425-2742</b>	

**For print and digital media**

The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

**Note on complexity levels of the rated instrument:**

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).

**About Brickwork Ratings**

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.



## **DISCLAIMER**

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.