



Rating Rationale

Koshi Uday Food Products Private Limited (KUFPPPL)

27 May 2019

Brickwork Ratings revises the rating from B+ to 'BWR BB-' for the bank loan facilities aggregating of Rs.6.29 Crs of Koshi Uday Food Products Private Limited. (KUFPPPL).

Particulars:

Facility Rated #	Previous (Rs. Crs)	Present (Rs. Crs)	Tenure	Rating History * Nov, 2018	Rating ¹
Fund Based					
Cash Credit	1.32	3.40	Long	BWR B+	BWR BB- (Pronounced as BWR Double B Minus) Outlook: Stable <i>Upgraded</i>
Cash Credit (Prop. Addl.)	2.50	-	Term	(Pronounced BWR B Plus)	
Term Loan I	1.72	1.48		Outlook: Stable	
Term Loan II	1.54	1.41			
Total	7.08	₹6.29	(Rupees Six Crores and Twenty Nine Lakhs Only)		

¹ Please refer to BWR website www.brickworkratings.com for definition of the ratings

* Term loan Outstanding as on 21st May, 2019.

Rating: Upgraded

Brickwork Ratings upgrades the long term rating to 'BWR BB-' from 'BWR B+' with "Outlook:Stable" to the bank loan facilities aggregating of Rs.6.29 Crores of Koshi Uday Food Products Private Limited.

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financials of the Company upto FY18, FY19 provisional, publicly available information and information/clarifications provided by the Company.

The rating upgradation, inter alia, has factored the improved performance of the company in FY18 & FY19 (provisional), Promoter's extensive experience of over a decade in trading of rice & operating Rice mill, Proximity of the unit to raw materials & suppliers and favourable demand prospects of the industry. However, the rating strengths are partially offset by low scale of operations, moderate financial risk profile of the company, intense competition in the food processing industry, working capital intensive nature of operations and susceptibility of raw material availability to agro-climatic conditions.



Going forward, the ability of the company to further scale up its operations, to improve its profitability margins, to strengthen its overall credit profile and to effectively manage its working capital would be the key rating sensitivities.

Rating Outlook: Stable

BWR believes that the business risk profile of Koshi Uday Food Products Private Limited 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 revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

Analytical Approach :

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria (hyperlinks provided at the end of this rationale)

Key Rating drivers

Credit Strengths:

Credit Strengths:

- **Experienced management:** The promoters of the company Mr. Sanjeet Kumar and Mr. Subodh Kumar Gupta have more than a decade of experience in trading of rice & operating rice mill.
- **Improved financial performance of the Company:** The financial performance of the Company has improved y-o-y. Total operating income (TOI) & OPBDIT improved to Rs.8.40 Crs & Rs.1.51 Crs in FY18 as against Rs.6.78 Crs & Rs.1.25 Crs respectively in FY17. The networth of the company stood at Rs.1.20 crore as on 31st March, 2018 compared to Rs.1.14 Crs as on 31st March, 2017. The interest coverage ratio (ISCR) and debt service coverage ratio (DSCR) of the company stood at 2.40 times and 1.11 times in FY18. As per FY19 provisionals, the company has reported a revenue of Rs.17.52 Crs, Net profit of Rs.0.90 Crs and TNW of Rs.2.10 Crs as on 31st March, 2019.
- **Proximity to Raw materials & Suppliers:** The company has established its operations in Supaul district of Bihar which has proximity to suppliers and customers.
- **Favourable demand prospects of the industry:** The demand prospects of rice are expected to remain Stable, as rice and rice-based products form an essential ingredient of Indian diet.

Credit Weaknesses :

- **Moderate Financial Risk profile:** The moderate financial risk profile is marked by low scale of operations, highly leveraged capital structure and low net worth base. The scale of operations of the company remained moderate, marked by total operating income of



Rs.8.40 crore with a PAT of Rs.0.02 crore in FY18. The gearing of the company stood at 5.04 times and the Networth of the company stood at Rs.1.20 Crs as on 31st March, 2018.

- **Intense competition prevailing in the industry keeps margins under check:** The intense competition prevailing in rice-milling industry as characterised by the presence of a large number of players along with low value-additive nature of operations, limits the company's pricing flexibility and keeps the profit margins under check.
- **Susceptibility of raw material availability to agro-climatic conditions:** The Rice-milling industry is exposed to agro climatic risks which might affect the availability of paddy in adverse weather conditions.
- **Working capital intensive nature of business:** The operations of CEPL are working capital intensive as reflected from its high receivables & inventory and working capital utilisation during the last twelve months.

About the Company

Koshi Uday Food Products Private Limited (KUFPPPL) is Patna, Bihar based private limited company promoted by Mr. Sanjeet Kumar, Mr. Subodh Kumar Gupta, Mr. Ranjit Kumar and Mr. Arbind Kumar Modi in the year 2013. However, the commercial operations of the company started in 2016. KUFPPPL is engaged in operating a rice mill and produces various types of parboiled rice. The manufacturing facility is located in Supaul district of Bihar with an installed capacity to process around ~5 tons of rice per day.

Company's Financial Performance:

The company has registered total operating income of Rs.8.40 Cr in FY18 with a PAT of Rs.0.02 crore as against Rs. 6.78 Crs and Rs.0.02 Crs in FY17. The Tangible net worth of the company stood at Rs.1.20 Cr as on 31st March, 2018 compared to Rs.1.14 Crs as on 31st March, 2017. On provisional basis, the company has achieved sales of Rs.17.52 Crs and PAT of Rs.0.90 Crs during April 1, 2018 to March 31, 2019.

Parameters	31-Mar-2016	31-Mar-2017	31-Mar-2018
	(Audited)	(Audited)	(Audited)
Total Operating Income (Rs. Crores)	4.47	6.78	8.40
EBITDA (Rs. Crores)	0.32	1.25	1.51
PAT (Rs. Crores)	(0.01)	0.02	0.02
Tangible Net Worth (TNW) (Rs. Crores)	0.73	1.14	1.20
Total Debt : TNW (Times)	4.58	6.52	6.04
Current Ratio (Times)	1.21	1.36	1.37

Rating History for the last three years:

Sl No	Facility	Current Rating (May 2019)			Rating History		
		Type	Amount (Rs. Crs)	Rating	Nov, 2018	2017	2016
1.	Fund Based	Long Term	6.29	BWR BB- (Pronounced as BWR Double B Minus) (Outlook: Stable) Upgraded	BWR B+ (Pronounced as BWR B Plus) Outlook : Stable	NA	NA
Total			₹6.29 (Rupees Six Crores and Twenty Nine Lakhs Only)				

Hyperlink/Reference to applicable Criteria:

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing companies](#)
- [Short Term Debt](#)

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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 Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings



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