Rating Rationale

Sahu Khan Chand Foods

30th January 2017

Brickwork Ratings assigns ratings for the Bank Loan Facilities of ₹ 12.00 Crores of Sahu Khan Chand Foods.

Particulars

Bank Facilities	Tenure	Amount ₹ Crs	Rating
Fund Based Limit			
Cash Credit	Long Term	12.00	**BWR B+** *(Pronounced as BWR B Plus)* (Outlook: Stable)
Total		**12.00**	

**Please refer to BWR website www.brickworkratings.com for definition of the rating assigned.*

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financial results for the period FY14, FY15, FY16 of Sahu Khan Chand Foods, publicly available information and information/clarification provided by the firms' management/Bank. The rating necessarily factors in, the promoters experience in the frozen foods industry, firms' significant growth in topline over the past three years, good network of suppliers and customers, stable consumption pattern of green peas being very stable in India. The rating is constrained by reduction in operating profit margins due to high level of competition in food processing industry, heavy dependence on pricing agricultural output ,working capital intensive nature of operations as stocking of green peas is necessary during harvesting season between November to March to take benefit of pricing, and its constitution as a partnership firm owing to the risk of withdrawal of capital.

Rating Outlook: Stable

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.

About the Company

Sahu Khan Chand Foods is Chandausi, Uttar Pradesh based partnership firm formed in 2008 by Mr. Rakesh Chandra Gupta & Mr. Tajendra Pal Chaudhary,engaged in food processing business.The firm is involved in processing of frozen fruits and vegetables primarily in Frozen Green Peas(Mutter).The company sources its material from farmers and sells it to whole sellers and retailers.The client has around 10% market share in all India Green Peas frozen market.The firm has two manufacturing facilities in Sambhal, Uttar Pradesh.The Firm has got its own warehouse facility which includes 8 cold storage chambers which which has a capacity of 700 MT of Green Peas.

The management consists of two partners, Mr. Rakesh Chandra Gupta & Mr. Tajendra Pal Chaudhary who oversee the day to day operations of the company. Promoters have been in the frozen food business for close to 30 years.

Company Financial Performance

The firm reported Y-O-Y growth of 8.24% in Net Sales in FY16, it increased from ₹ 20.73 Cr in FY15 to ₹ 22.44 Cr in FY16. During the same period Net profits increased by 4.88%. The operating profit for FY16 reduced to ₹ 1.86 Cr compared to ₹ 2.08 Cr in FY15. The tangible net worth of the company for the FY16 stood at ₹ 5.52 Cr. compared to ₹ 7.57 Cr. in FY15 due to withdrawals by partners. The firm has unsecured loan from promoters and friends of ₹ 5.09 Cr. The Total Debt stood at ₹ 17.14 Cr. in FY16.

Rating History for the last three years (including withdrawn/suspended ratings)

Sl. No.	Instrument/Facility	Current Rating (Year 2017)			Rating History		
		Type	Amount (Rs Crs)	Rating	2016	2015	2014
1	**Cash Credit**	**Long Term**	**12.00**	**BWR B+ (Outlook: Stable)**	NA	NA	NA

Status of non-cooperation with previous CRA (if applicable)-Reason and comments

Due to non-cooperation the rating of B+ for the Bank loan facilities amounting to ₹ 9.00 Cr of Sahu Khan Chand Foods was suspended by ICRA in December, 2016; in the absence of adequate information a valid rating could not be maintained. BWR has relied upon information shared for the rating review of Sahu Khan Chand's Bank loan facilities amounting to ₹ 12.00 Cr.

Hyperlink/Reference to applicable Criteria

- [General Criteria]
- [Approach to Financial Ratios]
- [Manufacturing Sector]

Analysts	Media
Hemant Sagare Senior Manager - Ratings analyst@brickworkratings.com	media@brickworkratings.com **Relationship Contact** bd@brickworkratings.com
Phone: 1-860-425-2742	

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 Investors queries can be sent to 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.