

## Rating Rationale

### Brickwork Ratings assigns 'BWR B' for the Bank Loan facilities aggregating to ₹ 4.42 Cr of Yash Foods

Brickwork Ratings has assigned the following **Rating<sup>1</sup>** for Bank Loan facilities sanctioned by Andhra Bank to Yash Foods aggregating to ₹4.42 Cr:

Facility	Limits (₹ Cr)	Tenure	Rating
Cash Credit	3.00	Long Term	<b>BWR B</b> (Pronounced BWR B) <b>[Outlook : Stable]</b>
Term Loan	1.42		
<b>Total</b>	<b>4.42</b>	<b>INR Four Crores and Forty Two Lakhs only</b>	

The rating, inter alia, factors in the experience of the promoters, non-imposition of levy sales by the government and the increasing demand for quality rice both domestically as well as for exports. The rating is, however, constrained by relatively low net worth of the firm, limited track record of operations (the firm is yet to complete one year of operations), infrastructural bottle necks at the site of location of the manufacturing plant, and low profit margins due to intense competition in this sector.

#### Background:

Yash Foods is a partnership concern with its registered office located at Chandapur Road, Maharajganj District Raebareli. The manufacturing facilities of the firm are also in the same location.

The firm produces rice by hulling paddy. The firm processes both normal rice and basmati rice, the percentage of basmati rice (of the total rice processed) depends on the paddy availability for that particular year but is usually around 50% of the total rice processed.

The firm has three partners from the family, with all of them enjoying an equal stake in the firm. Mr Jagdeep Kumar is the key person of the unit and also looks after the management of the firm. He has over 7 years of experience in the rice processing industry, and had earlier worked for Anurag Industries (also a rice processing firm located at Rae Bareli) which is a proprietorship concern under his wife Mrs. Shankuntala Devi, another Partner of the firm. The third partner is Mr Ayoosh Kumar, their son.

#### Financial Performance:

Yash Foods has just installed the Rice Mill at a cost of about Rs.9.05 Crs, which was funded with TL of Rs. 2.65 Crs, equity of Rs. 1.45 Crs, grants from government and other unsecured loans. It has commenced commercial production from July 2014. The firm has projected sales revenue of Rs. 21.98 Crs and Rs. 25.71 Crs in FY15 & FY16 respectively. The tangible net worth of the

<sup>1</sup> Please refer to [www.brickworkratings.com](http://www.brickworkratings.com) for definition of the Ratings

firm stood at Rs. 2.01 Crs in FY14 with debt to equity ratio being 3.53 times in FY14. Currently, the credit facilities enjoyed with Andhra Bank include the TL and Cash Credit facilities. Projected debt coverage indicators are adequate.

**Rating Outlook:**

The firm has recently setup a rice processing plant in Rae Bareli and has commenced operations in July 2014, the firm will take some time to stabilize its operations and increase its revenues. Going forward, increasing the scale of operations and the customer base, maintaining adequate levels of profitability and prudently managing external debt and working capital requirements - will be the key rating sensitivities for the firm.

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