

UFM Industries Limited

January 05, 2022

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	7.00	CARE BB; Stable; ISSUER NOT COOPERATING* (Double B; Outlook: Stable ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Total Bank Facilities	7.00 (Rs. Seven Crore Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from UFM Industries Limited (UFM) to monitor the rating(s) vide e-mail communications dated July 15, 2021, December 22, 2021 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. Further, UFM has not paid the surveillance fees for the rating exercise agreed to in its Rating Agreement. The rating on UFM's bank facilities will now be denoted as **CARE BB; Stable/ Issuer Not Cooperating**.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The rating has been moved to issuer non-cooperating category on account of non-availability of requisite information for monitoring the rating. The ratings continue to remain constrained by its moderate scale of operations along with low profit margin, volatile agro-commodity (flour) prices with linkages to vagaries of the monsoon, regulated nature of industry and intensely competitive nature of the industry with presence of many unorganized players. The constraints are however, partially off-set by its experienced promoter and long track record of operations, satisfactory demand outlook of the products and proximity to raw material sources and comfortable capital structure with moderate debt coverage indicators.

Detailed description of the key rating drivers

At the time of last rating on December 14, 2020, the following were the rating strengths and weaknesses (updated for information received from stock exchange and other sources):

Key Rating Weaknesses

Moderate scale of operation with low profitability margin

UFM is a small player vis-à-vis other players in food processing industry marked by its total operating income of Rs.85.15 crore (Rs.78.64 crore in FY20) with a PAT of Rs.1.16 crore (Rs.1.06 crore in FY20) in FY21. The total net worth was moderate at Rs.18.43 crore as on March 31, 2021 as compared to Rs. 17.27 crore as on March 31, 2020. The moderate size restricts the financial flexibility of the company in times of stress. The profitability margins of the company remained low marked by PBILDT margin of 2.56% (2.54% in FY20) and PAT margin of 1.37% (0.74% in FY20) in FY21.

Volatile agro-commodity (flour) prices with linkages to vagaries of the monsoon and regulated nature of the industry

UFM Industries Limited is primarily engaged in the processing of wheat products under its roller mills. Wheat being an agricultural produce and staple food, its price is subject to intervention by the government. In the past, the prices of wheat have remained volatile mainly on account of the government policies in respect of Minimum Support Price (MSP) & controls on its exports. The Government hiked the minimum price for buying six rabi crops, including wheat, up to six percent and the MSP of wheat for 2020-21 becomes Rs.1975/quintal increased from Rs.1925/quintal in 2019-20. Further to be noted, the prices of wheat are also sensitive to seasonality, which is highly dependent on monsoon. Any volatility in the wheat prices will have an adverse impact on the performance of the flour mill.

Intensely competitive nature of the industry with presence of many unorganized players

Flour milling industry is highly fragmented and competitive due to presence of many players operating in this sector owing to its low entry barriers, due to low capital and technological requirements. Assam and nearby states are a major wheat growing area with many flour mills operating in the area. High competition restricts the pricing flexibility of the industry participants and has a negative bearing on the profitability.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Key Rating Strengths

Experienced Promoters and long track record of operations

Mr. Mahabir Prasad Jain has around three decades of experience in the flour mill business, and he looks after the overall management of the company, with adequate support of other directors and a team of experienced personnel. More than two decades of presence of the company, reflecting long track record in the business of processing of wheat products under its roller mills.

Satisfactory demand outlook of the products and proximity to raw material sources

Wheat based products, viz. Maida, Sooji, Bran and Atta have large consumption across the country in the form of bakery products, cakes, biscuits and different types of food dishes in homes and restaurants. The demand has been driven by the rapidly changing food habits of the average Indian consumer, dictated by the lifestyle changes in the urban and semi-urban regions of the country. UFM Industries Limited's unit has close proximity to local grain markets and major raw material procurement destinations. Further, Assam and nearby states are one of the major wheat producing area in India. Accordingly, UFM Industries Limited has locational advantage in terms of proximity to raw material. This apart, the plant is located in the vicinity of industrial area of Assam, having good transportation facilities and other requirements like good supply of power, water etc.

Comfortable capital structure with satisfactory debt coverage indicators

The capital structure of the company remained comfortable marked by overall gearing ratios at 0.13x as on March 31, 2021 as compared to 0.23x, as on March 31, 2020 on account of reduced working capital borrowings and graduation accretion of profits to reserves. The debt coverage indicators also remained low marked by total debt/GCA of 1.65x as on March 31, 2021 as against 4.80x as on March 31, 2020. Furthermore, the interest coverage ratio remained satisfactory at 5.05x in FY21 vis-à-vis 3.22x FY20 due to improvement in PBILDT level.

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Manufacturing Companies](#)

About the Company

UFM Industries Limited (UFM) was incorporated in 1986 by conversion of the then partnership firm 'M/s Union Flour Mills'. The company is listed at the Bombay Stock Exchange (BSE) and the Calcutta Stock Exchange Association Limited. Since its inception, the company has been engaged in flour milling business in the state of Assam and presently it is operating in the district of Silchar and Dhubri with an aggregate milling capacity of 1, 14,000 metric tons per annum. The company mainly manufactures atta, maida, sooji and bran which are sold through wholesalers and dealers.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	H1FY22
Total operating income	78.64	85.15	40.16
PBILDT	2.00	2.18	1.41
PAT	0.58	1.16	0.81
Overall gearing (times)	0.23	0.13	0.3
Interest coverage (times)	3.22	5.05	6.41

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	7.00	CARE BB; Stable; ISSUER NOT COOPERATING*

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Cash Credit	LT	7.00	CARE BB; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB; Stable (14-Dec-20)	1)CARE BB; Stable (26-Sep-19)	1)CARE BB; Stable (29-Oct-18)

* Long Term / Short Term

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not Applicable**Annexure 4: Complexity level of various instruments rated for this company**

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple

Annexure 5: Bank Lender Details for this Company

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of the rated instrument: CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

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