

## UFM Industries Limited

March 30, 2023

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	7.00	CARE BB-; Stable; ISSUER NOT COOPERATING*	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE BB; Stable;

Details of facilities in Annexure-1.

\*Issuer did not cooperate; based on best available information.

### Rationale and key rating drivers

CARE has been seeking information from UFM Industries Limited (UFM) to monitor the rating(s) vide e-mail communications dated November 21, 2022, December 11, 2022, 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 revised and continues to remain under 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 in FY22 (refers to the period from April 01 to March 31), 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 and deterioration in capital structure and debt coverage indicators. 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.

### Detailed description of the key rating drivers

At the time of last rating on January 05, 2022, the following were the rating strengths and weaknesses (updated for information received from stock exchange and other sources):

**Analytical approach:** Standalone

### Key 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.87.41 crore (Rs.84.30 crore in FY21) with a PAT of Rs.1.41 crore (Rs.1.51 crore in FY21) in FY22. The total net worth was moderate at Rs.19.55 crore as on March 31, 2022, as compared to Rs.18.43 crore as on March 31, 2021. The moderate size restricts the financial flexibility of the company in times of stress. The profitability margin of the company remained low marked by PBILDT margin of 1.77% (1.57% in FY21) and PAT margin of 1.27% (1.38% in FY21) in FY22. The company earned a PAT of Rs.1.33 crore in 9MFY23 vis-à-vis Rs.1.60 crore in 9MFY22.

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

UFM 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) and controls on its exports. 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.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

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

The 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 major wheat growing areas 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.

### **Deterioration in capital structure and debt coverage indicators**

The capital structure of the company deteriorated slightly marked by overall gearing ratios at 0.34x as on March 31, 2022, as compared to 0.13x, as on March 31, 2021, on account of increase in debt level. The debt coverage indicators also deteriorated marked by total debt/GCA of 4.67x as on March 31, 2022, as against 1.65x as on March 31, 2021. Furthermore, the interest coverage ratio also deteriorated to 2.73x in FY22 vis-à-vis 3.07x FY21.

### **Key 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.

**Liquidity:** Not applicable

### **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](#)

[Policy on Withdrawal of Ratings](#)

### **About the company and industry**

#### **Industry Classification**

Macro Economic Indicator	Sector	Industry	Basic Industry
Fast Moving Consumer Goods	Fast Moving Consumer Goods	Agricultural Food & other Products	Other Agricultural Products

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 (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	9MFY23 (UA)
Total operating income	84.30	87.41	88.47
PBILDT	1.32	1.55	2.01
PAT	1.16	1.11	1.33
Overall gearing (times)	0.13	0.34	NA
Interest coverage (times)	3.07	2.73	4.02

A: Audited; UA: Unaudited; NA: Not available; Note: the above results are the latest financial results available.

**Status of non-cooperation with previous CRA:** Not applicable

**Any other information:** Not applicable

**Rating history for the last three years:** Please refer Annexure-2

**Covenants of the rated facilities:** Detailed explanation of the covenants of the rated facilities is given in Annexure-3

**Complexity level of the various instruments rated:** Annexure-4

**Lender details:** Annexure-5

#### Annexure-1: Details of facilities

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

\*Issuer did not cooperate; based on best available information.

#### Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Cash Credit	LT	7.00	CARE BB-; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB; Stable; ISSUER NOT COOPERATING* (05-Jan-22)	1)CARE BB; Stable (14-Dec-20)	1)CARE BB; Stable (26-Sep-19)

\*Issuer did not cooperate; based on best available information.

**Annexure-3: Detailed explanation of the covenants of the rated facilities:** Not applicable

#### Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple

## Annexure-5: Lender details

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

**Note on the complexity levels of the rated instruments:** CARE Ratings 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](mailto:care@careedge.in) for any clarifications.

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## About us:

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