

## C. P. Foods

March 24, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long-term bank facilities	2.45	CARE BB+; Stable	Upgraded from CARE BB; Stable
Long-term / Short-term bank facilities	75.00	CARE BB+; Stable / CARE A4+	Upgraded from CARE BB; Stable / CARE A4

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The revision in the ratings assigned to the bank facilities of C. P. Foods (CPF) factors in the improvement in scale of operations and improvement in capital structure. The ratings continue to be constrained by thin profitability margins owing to trading nature of business, customer concentration risk and presence in highly fragmented and competitive industry. The ratings, however, draw strength from experienced promoter and long track record in agricultural commodities trading segment, and established relationship with supplier base.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Growth in scale of operations above ₹750 crore while maintaining profit before interest, lease rentals, depreciation and tax (PBILDT) margins more than 3%.
- Improvement in overall gearing to below 1.00x.

#### Negative factors

- Deterioration in liquidity indicators or elongation of working capital cycle on sustained basis.
- Any large debt funded capex or significant withdrawal of capital leading to deterioration in overall gearing above 2.0x.

**Analytical approach:** Standalone

**Outlook:** Stable

CARE Ratings Limited (CARE Ratings) believes that the firm is likely to sustain its financial and operational performance in the medium-term, considering stable demand from its agro commodities segment.

### Detailed description of the key rating drivers

#### Key weaknesses

##### Moderate Financial risk Profile

The capital structure of the firm stood moderately leveraged with overall gearing of 1.36x as on March 31, 2024 (2.69x as on March 31, 2023). The unsecured loan of ₹39.77 crore subordinated to bank facilities has been considered as equity. Due to the working capital intensive nature of business, the short-term borrowings remain high which constitutes a major part of book debt, followed by GECL loans. Interest coverage ratio stood moderate at 1.90x as on March 31, 2024(PY: 2.19x), and total Debt/PBILDT stood at 5.05x as on March 31, 2024(PY: 12.68x).

##### Thin Profitability margins owing to tender based business

Owing to tender based business and high competition from other organised players, the PBILDT margins of the company have remained thin in the range of 2-3% over the years. CPF directly bids for short-term Tamil Nadu Civil Supply corporation (TNCSC) contracts which forms a major portion of its annual revenue (67% in FY24). Further, in the event of unfavourable tender scenarios, the firm acts as a supplier to other organised players who have been awarded TNCSC contracts, resulting in high dependence on TNCSC contracts.

<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

### Presence in highly fragmented and competitive industry

The firm operates in a highly competitive and fragmented industry where the firm witnesses intense competition from both the organised and largely unorganised players. This fragmented and highly competitive industry results in price competition thereby affecting the profitability margins of the companies operating in the industry.

### Partnership nature of Constitution with inherent risk of withdrawal of capital

Constitution as a partnership has the inherent risk of the possibility of withdrawal of the capital at the time of personal contingency which can adversely affect its capital structure. Furthermore, partnership firms have restricted access to external borrowings as the credit worthiness of the partners would be key factors affecting credit decision for the lenders.

### Key strengths

#### Experienced promoters with established track record of operation

CPF was established by Manikanda Prabhu who has extensive experience of over 20 years in trading agro commodities. The promoters have a good understanding of the needs of its regional clients and the dynamics of the market in which the company operate. The extensive experience of the promoter has helped in establishing long-standing relationships with the customers and suppliers.

#### Improved operational performance with healthy growth in total operating income (TOI)

The scale of operations of the firm witnessed significant growth with TOI growth of 140% to ₹531 crore in FY24 (FY23: ₹221 crore) owing to higher orders from TNCSC. The company supplies various agro commodities including various types of pulses (Masoor, Moong, Toor, Udad) under short term contracts to TNCSC. These contracts are on a tender basis. In the current year, the firm has achieved revenue of ₹490 crore in 11MFY25.

#### Established relationship with supplier base

Since 2001, the firm has been trading agricultural commodities and has established extensive relationships with its suppliers. CPF majorly obtains pulses from other traders such as ETC Agro Processing India Pvt. Ltd., ETG Commodities Incorporated, and Meraki Commodities among others. CPF has storage and processing units in Virudhunagar, Tamil Nadu.

#### Liquidity: Stretched

The liquidity is stretched marked by tightly matched cash accruals against repayment obligations. The cash and bank balances stood low at ₹0.18 crore as on March 31, 2024 (P.Y: ₹6.39 crore). The overall operating cycle stood at around 78 days marked by high inventory days. The monthly average working capital limit utilisation stood high at 70-80% for the last 12 months ending February 2025.

#### Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Wholesale Trading](#)

[Short Term Instruments](#)

#### About the entity and industry

##### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Fast moving consumer goods	Fast moving consumer goods	Agricultural Food & other Products	Other Agricultural Products

CPF was established in Virudhunagar, Tamil Nadu in 2001. CPF trades and processes pulses, including masoor dal, toor dal, udad dal, moong dal. The firm's day-to-day operations are managed by Manikanda Prabhu along with his family members. The firm has storage and processing units in Virudhunagar, Tamil Nadu.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	11MFY25 (UA)
Total operating income	221.30	531.22	490.00
PBILDT	6.76	15.55	NA
PAT	1.79	6.51	NA
Overall gearing (times)	2.69	1.36	NA
Interest coverage (times)	2.19	1.90	NA

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

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

**Any other information:** Not applicable

**Rating history for last three years:** Annexure-2

**Detailed explanation of covenants of rated instrument / facility:** Annexure-3

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

**Lender details:** Annexure-5

#### Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Term Loan		-	-	30-09-2028	2.45	CARE BB+; Stable
Fund-based - LT/ ST-Cash Credit		-	-	-	75.00	CARE BB+; Stable / CARE A4+

#### Annexure-2: Rating history for 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 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term Loan	LT	2.45	CARE BB+; Stable	-	1)CARE BB; Stable (05-Mar-24)	-	-
2	Fund-based - LT/ ST-Cash Credit	LT/ST	75.00	CARE BB+; Stable / CARE A4+	-	1)CARE BB; Stable / CARE A4 (05-Mar-24)	-	-

LT: Long term; LT/ST: Long term/Short term

**Annexure-3: Detailed explanation of covenants of rated instruments/facilities:** Not Applicable

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

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based - LT/ ST-Cash Credit	Simple

**Annexure-5: Lender details**

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

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

**Contact Us**

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