

K. P. Industries

February 14, 2017

Facilities	Amount (Rs. Crore)	Rating ¹	Remarks
Long-term Bank Facilities	9.69 (reduced from 10.45)	CARE B; Stable (Single B; Outlook: Stable)	Suspension revoked and rating re- affirmed
Total Facilities	9.69 (Rupees Nine crore and Sixty Nine lakh only)		

Details of instruments/facilities in Annexure - I

Detailed Rationale

The rating assigned to the bank facilities of K.P. Industries (KPI) is constrained primarily on account of its modest scale of operations, thin profit margins, leveraged capital structure and weak debt coverage indicators during FY16 (refers to the period April 1 to March 31). The rating is also constrained on account of its partnership nature of constitution, working capital intensive nature of operations in a fragmented and competitive rice processing industry and exposure to the risk associated with government regulations.

The rating, however, derives strength from the vast experience of the promoters into rice processing industry and its presence in paddy-growing areas which provides location advantage.

The ability of KPI to increase its scale of operation along with improvement in profitability by managing risks associated with raw material price fluctuation and improve its solvency position via efficient management of working capital are the key rating sensitivities.

Detailed description of key rating drivers

KPI's promoters carry a reasonable experience in the rice milling business. The total operating income (TOI) of KPI has remained stable in FY16 at Rs.52.01 crore which was almost in line with FY15. Profit margins of KPI remained low and almost in line with previous year, due to low-value addition processing operations of KPI.

With an increase in the level of tangible net worth, the capital structure of KPI improved marginally and continued to remain leveraged as on March 31, 2016. Furthermore, debt protection metrics deteriorated and continued to remain weak as on March 31, 2016. Resultantly, average working capital utilization remained full for the past 12 months ended December 2016 while its operating cycle also stood moderately high at 88 days in FY16.

Analytical Approach – Standalone

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[CARE's methodology for manufacturing companies](#)

[Financial ratios – Non-Financial Sector](#)

About the Firm

Established in the year 2009, Ahmedabad-based K.P. Industries (KPI) is a partnership firm engaged in the processing of non-basmati rice. Key partners include Mr Dhaval Prajapati and Mr Atul Prajapati who manage the day-to-day operations. As on March 31, 2016, it had a total installed capacity of 69,120 Metric Tonnes per annum and operates through its sole manufacturing unit at Kheda.

During FY16, KPI reported a total operating income (TOI) of Rs.52.01 crore with a PAT of Rs.0.19 crore as against TOI of Rs.51.04 crore with a PAT of Rs.0.18 crore in FY15. During 9MFY17 (Provisional), KPI reported a TOI of Rs.32.36 crore.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History (Last three years): Please refer Annexure - II

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Analyst Contact

Name: Mr Chintan Soni
 Tel: (079) 40265634
 Cell: +91 8511190016
 Email: chintan.soni@careratings.com

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure I

Details of Instruments/Facilities :-

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	July, 2018	0.19	CARE B; Stable
Fund-based - LT-Cash Credit	-	-	-	9.50	CARE B; Stable

Annexure II

Rating History for 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 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015	Date(s) & Rating(s) assigned in 2013-2014
1.	Fund-based - LT-Term Loan	LT	0.19	CARE B; Stable	1)Suspended (30-Dec-16)	1)CARE B (18-Aug-15)	-	-
2.	Fund-based - LT-Cash Credit	LT	9.50	CARE B; Stable	1)Suspended (30-Dec-16)	1)CARE B (18-Aug-15)	-	-

CONTACT**Head Office Mumbai****Mr. Amod Khanorkar**

Mobile: + 91 98190 84000

E-mail: amod.khanorkar@careratings.com**Mr. Saikat Roy**

Mobile: + 91 98209 98779

E-mail: saikat.roy@careratings.com**CREDIT ANALYSIS & RESEARCH LIMITED**

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022

Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com**AHMEDABAD****Mr. Mehul Pandya**32, Titanium, Prahaladnagar Corporate Road,
Satellite, Ahmedabad - 380 015

Cell: +91-98242 56265

Tel: +91-79-4026 5656

E-mail: mehul.pandya@careratings.com**Mr. Nikhil Soni**304, Pashupati Akshat Heights, Plot No. D-91,
Madho Singh Road, Near Collectorate Circle,
Bani Park, Jaipur - 302 016.

Cell: +91 – 95490 33222

Tel: +91-141-402 0213 / 14

E-mail: nikhil.soni@careratings.com**BENGALURU****Mr. Deepak Prajapati**Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
No. 30, M.G. Road, Bangalore - 560 001.

Cell: +91-9099028864

Tel: +91-80-4115 0445, 4165 4529

E-mail: deepak.prajapati@careratings.com**KOLKATA****Ms. Priti Agarwal**3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
10A, Shakespeare Sarani, Kolkata - 700 071.

Cell: +91-98319 67110

Tel: +91-33- 4018 1600

E-mail: priti.agarwal@careratings.com**CHANDIGARH****Mr. Sajan Goyal**SCF No. 54-55,
First Floor, Phase 11,
Sector 65, Mohali - 160062
Chandigarh

Cell: +91 99888 05650

Tel: +91-172-5171 100 / 09

Email: sajan.goyal@careratings.com**NEW DELHI****Ms. Swati Agrawal**13th Floor, E-1 Block, Videocon Tower,
Jhandewalan Extension, New Delhi - 110 055.

Cell: +91-98117 45677

Tel: +91-11-4533 3200

E-mail: swati.agrawal@careratings.com**CHENNAI****Mr. V Pradeep Kumar**Unit No. O-509/C, Spencer Plaza, 5th Floor,
No. 769, Anna Salai, Chennai - 600 002.

Cell: +91 98407 54521

Tel: +91-44-2849 7812 / 0811

Email: pradeep.kumar@careratings.com**PUNE****Mr. Pratim Banerjee**9th Floor, Pride Kumar Senate,
Plot No. 970, Bhamburda, Senapati Bapat Road,
Shivaji Nagar, Pune - 411 015.

Cell: +91-98361 07331

Tel: +91-20- 4000 9000

E-mail: pratim.banerjee@careratings.com**COIMBATORE****Mr. V Pradeep Kumar**T-3, 3rd Floor, Manchester Square
Puliakulam Road, Coimbatore - 641 037.

Tel: +91-422-4332399 / 4502399

Email: pradeep.kumar@careratings.com

CIN - L67190MH1993PLC071691

HYDERABAD**Mr. Ramesh Bob**401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
Hyderabad - 500 029.

Cell : + 91 90520 00521

Tel: +91-40-4010 2030

E-mail: ramesh.bob@careratings.com**JAIPUR**