

AUGUST 18, 2015

CARE ASSIGNS 'CARE B' RATING TO THE BANK FACILITIES OF K.P. INDUSTRIES

Rating

Facilities	Amount (Rs. crore)	Rating ¹	Remarks
Long-term Bank Facilities	10.45 (Rupees Ten crore and Forty Five lakh only)	CARE B (Single B)	Assigned

Rating Rationale

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

The rating, however, derives strength from the vast experience of the promoters in 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 and capital structure coupled with efficient management of working capital are the key rating sensitivities.

Background

Established in the year 2009, Ahmedabad-based 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, 2014, it had a total installed capacity of 69,120 metric tonnes per annum and operates through its sole manufacturing unit at Kheda (Gujarat).

As per the provisional results of FY15 (refers to the period April 1 to March 31), MHL reported profit after tax (PAT) of Rs.0.18 crore on a total operating income (TOI) of Rs.51.03 crore as against PAT of Rs.0.13 crore on a TOI of Rs.38.50 crore in FY14.

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

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.

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In case of partnership/proprietary concerns, the rating assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating 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.

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

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