

MAY 18, 2016

**CARE ASSIGNS 'CARE BB-' RATING TO THE BANK FACILITIES OF
SHRI KARPADHA AGRO FOODS**

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Remarks
Long term Bank Facilities	9.40	CARE BB- (Double B Minus)	Assigned
Total Facilities	9.40 (Rupees Nine crore and Forty lakh only)		

Rating Rationale

The rating assigned to the bank facilities of Shri Karpadha Agro Foods (SKAF) is constrained by declining profit margins due to dependence on the vagaries of the monsoon which determines supply of paddy, working capital intensive nature of operations and weak debt protection metrics. The rating is further constrained by the presence of the firm in a fragmented and regulated industry.

The rating, however, derives strength from long experience of promoters' family in rice milling industry, long-term presence in the market, established relationships with its customers, and healthy growth in the total operating income backed by healthy demand outlook of rice.

Going forward, the firm's ability to improve its scale of operations, profitability and capital structure will be the key rating sensitivities.

Background

SKAF is a partnership firm engaged in rice milling business. Originally, the firm was established in 2006 in the name of "Karpadha Agro Foods" (KAF) promoted by Mr P. Palanisamy, Mrs P. Dhanam, Mr P. Kalaivanan and Mr P. Arul. Subsequently, the partnership was reconstituted in April 2015 and the present partners are Mr Arul and Ms Lalithambigai sharing profits and losses equally. The installed capacity of SKAF is 50 MT per day as of February 29, 2016, and SKAF utilizes 85% of its installed capacity on an average.

As per the audited results, SKAF achieved PAT of Rs.0.21 crore on total operating income of Rs.40.48 crore in FY15 (refers to the period April 1 to March 31) as compared with PAT of Rs.0.14 crore on total operating income of Rs.31.62 crore in FY14. In 10MFY16 (provisional; refers to the period April 1 to January 31), SKAF achieved a total income of Rs.32 crore.

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

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

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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.

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