

## Press Release

### Kohinoor Refined Flour Mill Private Limited

May 13, 2017

### Rating Assigned

<b>Total Bank Facilities Rated*</b>	Rs. 8.00 Cr
<b>Long Term Rating</b>	SMERA BB/Stable

*\*Refer Annexure for details*

### Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB**' (read as **SMERA double B**) on the Rs. 8.00 cr bank facilities of Kohinoor Refined Flour Mill Private Limited. The outlook is '**Stable**'.

Kohinoor Refined Flour Mill Private Limited (KRFMPL) was incorporated in March 2009 and promoted by Panjwani and Mahajan families. The company is engaged in processing of wheat into maida, wheat flour, bran, suji and rava. KRFMPL supplies its products to local manufacturers of bread and bakery products. The company's production facility is spread over 10 acres of land in Nanded, Maharashtra. The factory has a total production capacity of 150 tonnes per day (TPD) comprising of 100 TPD of flour milling and 50 TPD for Chakki aata plant.

### List of key rating drivers and their detailed description:

#### Strengths:

**Experienced management:** KRFMPL benefits from its experienced management. The directors viz. Mr. Abdulla J. Panjwani has more than four decades of experience and Mr. Santosh B. Mahajan has more than two decades of experience in food and agro business.

**Comfortable financial risk profile:** KRFMPL has a comfortable financial risk profile marked by gearing (debt-to -equity ratio) of 1.23 times as on March 31, 2016 as against 1.45 times as on March 31, 2015. Total debt of Rs.5.82 crore mainly includes working capital borrowings. Interest coverage ratio is healthy at 1.81 times for FY2016.

**Comfortable working capital cycle:** KRFMPL has comfortable working capital cycle of around 50 - 60 days due to quick receivables. Working capital cycle stood at 53 days in FY2015-16 with debtor days of 23 and inventory holding at 31 days. The average cash credit limit utilization is comfortable at ~57 per cent for the six months ended April 2017.

#### Weaknesses:

**Decline in revenues:** KRFMPL's revenues have declined from Rs.58.87 cr in FY2013-14 to Rs.47.79 cr in FY2015-16. The sales have declined due to restricted supply of wheat on account of insufficient monsoon. The company has achieved revenue of Rs.43.26 cr for FY2016-17 (provisional).

**Stable but thin profit margins:** KRFMPL's operates on stable but thin profit margins. EBITDA margins stood at 2.89 percent in FY2015-16 and 2.71 per cent in FY2014- 15. The net profit margin stood at 0.66 per cent in FY2015-16 compared to 0.61 percent in FY2014-15. The thin profits are due to low value additive nature of business.

**Exposure to agro climatic risk and government regulations:** Wheat is the main raw material for the production of Aata, Maida, Suji. The production of wheat is mainly depends on agro climatic conditions. Any adverse change in the agro climatic conditions may interrupt the supply chain of wheat. Further, government regulations towards MSP for wheat may create pressure on KRFMPL's profitability.

**Intense competition:** KRFMPL operates in a highly competitive industry with low entry barriers resulting in intense competition from organised as well as unorganised players.

**Analytical approach:** SMERA has considered the standalone business and financial risk profiles of KRFMPL to arrive at the rating.

### **Outlook - Stable**

SMERA believes KRFMPL outlook will remain stable owing to long experience of the promoters in the business. The outlook may be revised to 'Positive' if the company is able to improve its overall financial risk profile or scale up the operations while improving its profit margins. Conversely, the outlook may be revised to 'Negative' in case of decline in revenues and profit margins or deterioration in financial risk profile due to higher than expected working capital requirements.

### **About the Rated Entity – Key Financials**

In FY2015-16, KRFMPL reported Profit after Tax (PAT) of Rs.0.31 cr on operating income of Rs.47.79 cr as compared to PAT of 0.31 cr on operating income of Rs. 51.11 cr in FY2014-15. The net worth stood at Rs.4.73 cr in FY2015-16 as compared to Rs.4.42 cr in FY2014-15.

### **Applicable Criteria**

- Manufacturing Entities – <https://www.smera.in/criteria-manufacturing.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

### **Note on complexity levels of the rated instrument:**

<https://www.smera.in/criteria-complexity-levels.htm>

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

**Any other information:** None

**Rating History (Upto last three years):**

Not applicable

**\*Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/ Outlook
Cash Credit	N.A.	N.A.	N.A.	8.00	SMERA BB/Stable (Assigned)

**Contacts:**

Analytical	Rating Desk
Vinayak Nayak, Head – Ratings Operations, Tel: 022-67141190 Email: <a href="mailto:vinayak.nayak@smera.in">vinayak.nayak@smera.in</a>  Sudarson Swami, Analyst – Rating Operations Tel: 022-67141179 Email: <a href="mailto:sudarson.swami@smera.in">sudarson.swami@smera.in</a>	Varsha Bist Sr. Executive Tel: 022-67141160 Email: <a href="mailto:varsha.bist@smera.in">varsha.bist@smera.in</a>

**ABOUT SMERA**

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