

Press Release

Kohinoor Feeds And Fats Limited

June 16, 2017



Rating Assigned

Total Bank Facilities Rated*	Rs. 31.50 Cr.
Long Term Rating	SMERA BB / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB**' (read as **SMERA BB**) on the Rs. 31.50 crore bank facilities of Kohinoor Feeds And Fats Limited. The outlook is '**Stable**'.

Kohinoor Feeds and Fats Limited (KFFL) was established by Mr Panjwani, Mr Mahajan and their respective families in 1990. The company, part of the Nanded-based Kohinoor Group, is engaged in the extraction and refining of soya bean oil, manufacturing of de-oiled cakes (DOC) and poultry feeds at Nanded, Maharashtra. The installed capacity stands at 350 tons per day (TPD) for solvent extraction and 50 TPD for refining of edible oil. KFFL caters to local clients in Telangana, Karnataka, Maharashtra and Andhra Pradesh and also exports to Myanmar, Karachi, Indonesia and Tanzania. Exports contribute around 2.66 percent to total sales.

Key Rating Drivers

Strengths

- **Long operational track record and experienced management**

The promoters, Mr. Alimohamad Janmohamad Panjwani, Mr. Nandkumar Bhaskar Mahajan and Mr. Azeem Abdulla Panjwani possess over two decades of experience in agro related businesses.

- **Moderate financial risk profile**

KFFL has moderate financial risk profile marked by net worth of Rs.16.40 crore as on 31 March, 2017 (Provisional) compared to Rs. 14.47 crore as on 31 March, 2016. The gearing (debt to equity ratio) stood high at 2.44 times as on 31 March, 2017 (Provisional) as against 2.33 times in the previous year. Going forward, the gearing is expected to improve with no capex expected in the medium term. The Interest coverage ratio (ICR) stood moderate at 1.77 times as on 31 March, 2017 (Provisional) as against 2.20 times in the previous year. The TOL/TNW stood at 2.60 times as on 31 March, 2017 (Provisional) against 2.45 times in the previous year.

- **Healthy revenue growth**

KFFL reported operating income of Rs. 245.74 crore for FY2017 (Provisional) as against Rs.155.44 crore for FY2016 and Rs.139.99 crore for FY2015. The growth in revenue is due to increase in capacity utilisation leading to increase in volume sales.

- **Comfortable working capital cycle**

The company has comfortable working capital cycle of 77 days in FY2017 (Provisional) due to inventory holding days of 46, debtor days of 34 and creditor days of 3. This is due to advances as also immediate payments to suppliers. The gross current assets (GCA) stood at 81 in FY2017 (Provisional). The average cash credit limit utilisation has been around ~80 percent for the last six months ended 30 April, 2017.

Weaknesses

• Thin profit margins, susceptibility to volatility in raw material prices

The operating margin declined to 2.32 per cent in FY2017 from 2.82 per cent in FY2016. The net profit margin remained thin at 0.58 per cent in FY2017 as against 0.81 per cent in FY2016. The thin profits are due to low value additive nature of business.

• Agro climatic risk

The company is exposed to fluctuations in raw material prices (soya). Besides, being an agro product, the industry is dependent on the monsoon, crop yield, area under cultivation, minimum support price and other financial incentives announced by the government. Any change in the aforementioned may interrupt the supply of soya.

• Highly competitive and fragmented edible oil industry

Edible oil extraction and refinery companies in India are dependent on imports for crude edible oil. Further, due to low capital intensive nature of business, the entry barriers are low resulting in intense market competition and thin profitability.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the company to arrive at the rating.

Outlook: Stable

SMERA believes that KFFL's outlook will remain stable owing to the extensive experience of its promoters in the industry. The outlook may be revised to 'Positive' if the scale of operations increases substantially while improving profitability and capital structure. Conversely, the outlook may be revised to 'Negative' in case of steep decline in revenues, profitability or deterioration in the financial risk profile owing to higher-than-expected debt-funded capex or working capital requirements.

About the Rated Entity - Key Financials

For FY2016-17 (Provisional), KFFL reported net profit after tax (PAT) of Rs.1.41 crore on operating income of Rs.245.74 crore compared to PAT of Rs.1.27 crore on operating income of Rs.155.44 crore in the previous year. The net worth stood at Rs.16.40 crore as on 31 March, 2017 (Provisional) compared to Rs.14.47 crore a year earlier.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

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. Cr.)	Ratings/Outlook

Cash Credit	Not Applicable	Not Applicable	Not Applicable	31.50	SMERA BB / Stable
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ABOUT SMERA

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