

Press Release

Kohinoor Feeds And Fats Limited

June 29, 2018



Rating Upgraded and Assigned

Total Bank Facilities Rated*	Rs. 50.00 Cr.
Long Term Rating	ACUITE BB+ / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuité has upgraded and assigned long-term rating of '**ACUITE BB+**' (**read as ACUITE BB plus**) from '**ACUITE BB**' (**read as ACUITE BB**) on the Rs.38.00 crore bank facilities (enhanced from Rs. 31.50 crore) and assigned short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) on the Rs.12.00 crore bank facilities of Kohinoor Feeds And Fats Limited (KFFL). The outlook is '**Stable**'.

The upgrade is driven by growth in net cash accruals and increase in net worth in FY2018 (estimated). There has been improvement in gearing and debt-protection metrics in FY2018 (estimated).

KFFL 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 stood 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.

Key Rating Drivers

Strengths

- Long operational track record and experienced management**

The promoters, Mr. Alimohamad Jammohamad 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.19.49 crore as on 31 March, 2018 (estimated) compared to Rs.15.15 crore as on 31 March, 2017. The gearing (debt to equity) improved to 1.92 times as on 31 March, 2018 (estimated) as against 2.73 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 2.20 times as on 31 March, 2018 (estimated) as against 2.16 times in the previous year. TOL/TNW stood at 2.06 times as on 31 March, 2018 (estimated) against 3.05 times in the previous year.

- Comfortable working capital cycle**

The company has comfortable working capital cycle of 98 days in FY2018 (estimated) comprising of inventory holding days of 61, debtor days of 40 with creditor days of 3. The Gross Current Assets (GCA) stood at 102 days in FY2018 (estimated).

Weaknesses

- **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 soyabean and therefore the prices.

- **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

Acuité has considered the standalone business and financial risk profiles of KFFL to arrive at the rating.

Outlook: Stable

Acuité 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

	Unit	FY18 (Est.)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	195.24	242.19	155.43
EBITDA	Rs. Cr.	7.94	7.55	3.81
PAT	Rs. Cr.	2.98	2.37	1.38
EBITDA Margin	(%)	4.07	3.12	2.45
PAT Margin	(%)	1.52	0.98	0.89
ROCE	(%)	13.45	12.71	9.47
Total Debt/Tangible Net Worth	Times	1.92	2.73	2.69
PBDIT/Interest	Times	2.20	2.16	2.44
Total Debt/PBDIT	Times	4.70	5.86	8.56
Gross Current Assets (Days)	Days	102	88	115

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

None

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

Rating History (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
16-Jun-2017	Cash Credit	Long Term	31.50	ACUITE BB / Stable (Assigned)

*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	Not Applicable	Not Applicable	Not Applicable	38.00 (enhanced from Rs. 31.50 crore)	ACUITE BB+ / Stable (Upgraded and Assigned)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE A4+ (Assigned)

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About Acuité Ratings & Research:

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