

Press Release

Kothari Fermentation And Biochem Limited

January 06, 2022

Rating Reaffirmed & Withdrawn



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	10.00		ACUITE A4+ Reaffirmed & Withdrawn
Bank Loan Ratings	35.00	ACUITE BB+ Reaffirmed & Withdrawn	
Total	45.00	-	-

Rating Rationale

Acuite has reaffirmed & withdrawn the long term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) and short term rating of '**ACUITE A4+**' (read as **ACUITE A 4 plus**) on the Rs.45.00 Cr bank facilities of Kothari Fermentation Biochem Limited (KFBL).

The withdrawal is on account of client's request and receipt of NOC from the banker as per Acuite's policy on withdrawal.

About the Company

Kothari Fermentation & Biochem Limited (KFBL) was incorporated in the year 1990 as a public limited company at Village Rajarampur, Bulandshahar (Uttar Pradesh). The company was set up by Mr. Moti Lal Kothari (Chairman, KFBL) and is now being managed by his son, Mr. Pramod Kothari (Managing Director). The company is engaged in the production of yeast and its derivatives (Fresh Yeast, Active Dried Yeast, Instant Dried Yeast, Live Yeast & Yeast Extract Powder) for the past three decades for clients in the food products, alcohol fermentation and pharmaceuticals industry with an installed capacity of 25000 metric ton per annum. The major raw material used in the production of yeast is 'molasses' which is procured from the local farmers and UP State Sugar Corporation. The company sells its product under the brand 'Sunrise'.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of KFBL to arrive at this rating.

Key Rating Drivers

Strengths

- Long track record and experienced management

The company has a long track record of over three decades in the food processing industry. The promoter Mr. Moti Lal Kothari has over thirty years of experience in the industry. Currently, the day-to-day operations are handled by his son, Mr. Pramod Kothari, who has an experience of over two decades. Acuite believes that the promoters' extensive experience has helped the company to establish long term relationship with customers and suppliers.

Weaknesses

- Financial risk profile** The financial risk profile of the company stood comfortable marked by moderate networth, low gearing level and comfortable debt protection metrics. The tangible networth stood at Rs 60.29 crore as on 31st March, 2021 (Provisional) as compared to Rs 55.55 crore in the previous year. The gearing (debt-equity) stood low on account of reduction of long-term debt. The coverage indicators stood comfortable marked by Interest coverage ratio (ICR) which stood low at 4.08 for FY 2021(Prov) compared to 7.54 times for FY 2020. The other coverage indicators stood low at 1.89 times as at FY 2021(Prov) as compared to 2.74 times as at FY 2020. The financial risk profile is expected to remain at similar levels over the medium term on account of absence of any debt funded capex plan.
- Working capital management** The working capital operations of KFBL stood well managed marked by GCA (Gross Current Assets) Days of 96 days in FY 2021(Provisional) as compared to 99 days in FY 2020 similar to 75 days in the previous year in FY 2019. The inventory days stood well managed at 59 days in FY 2021(Provisional) as compared to 67 days in FY 2020 similar with 38 days in the previous year. The debtor days stood well managed at 24 days in FY 2021(Prov) 29 days in FY 2020 as compared to 26 days in FY 2019. Other Current Assets as on 31st March, 2021 (Provisional) stood at Rs 5.56 crore. The working capital operations are expected to remain at similar levels over the medium term due to the payment terms with its customers and suppliers.
- Sales and Profitability** The company's revenues stood at Rs 95.55 crore in FY 2021 (Provisional) as compared to Rs 99.69 crore in FY 2020. The company's revenue reduced in FY 2021 due to effect of Covid pandemic. The operating margin stood healthy at 14.98% in FY 2021 (Provisional) as against 17.53% in the previous year. The PAT margin stood at 5.03% in FY 2021(Provisional) as compared to 7.69% in FY 2020 as against loss of 9.05% in FY 2019. The reduction in profitability is owing to effect of Covid pandemic, increase in employee costs, increase in interest costs.

Rating Sensitivities

- Growth in scale of operations while maintaining operating profitability
- Sustenance of existing financial risk profile with healthy capital structure

Material covenants

None

Liquidity Position: Adequate

KFBL has adequate liquidity marked by moderate cash accruals to its maturing debt obligations. The company generated cash accruals of Rs 9.96 crore in FY 2021 (Provisional) against Rs 3.60cr maturing debt obligations during the same period. The cash accruals of the company are estimated to remain in the range of around Rs. 10-12 crore during 2021-23. The working capital operations of the company are well managed marked by GCA (Gross Current Assets) Days of 96 days in FY 2021 (Provisional) similar to 99days in the previous year. The company maintains unencumbered cash and bank balances of Rs 0.17 crore as on March 31, 2021 (Provisional Rs. 0.33 crore as on March 31, 2020). The current ratio stood low at 0.93 times as on March 31, 2021(Prov) ,1.07 times as on March 31, 2020. Acuité believes that the liquidity of the company is likely to remain at similar levels over the medium term.

Outlook: Not Applicable

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	96.21	87.70
PAT	Rs. Cr.	8.71	5.36
PAT Margin	(%)	9.05	6.12
Total Debt/Tangible Net Worth	Times	0.48	0.41
PBDIT/Interest	Times	10.53	7.24

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

Not Applicable

Any other information

Not Applicable.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
05 Oct 2021	Term Loan	Long Term	20.45	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Letter of Credit	Short Term	7.00	ACUITE A4+ (Downgraded and Issuer not co-operating*)
	Cash Credit	Long Term	13.00	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Bank Guarantee	Short Term	3.00	ACUITE A4+ (Downgraded and Issuer not co-operating*)
	Proposed Bank Facility	Long Term	1.55	ACUITE BB+ (Downgraded and Issuer not co-operating*)
14 Jul 2020	Letter of Credit	Short Term	7.00	ACUITE A3+ (Assigned)
	Cash Credit	Long Term	13.00	ACUITE BBB Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	1.55	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	20.45	ACUITE BBB Stable (Reaffirmed)
	Bank Guarantee	Short Term	3.00	ACUITE A3+ (Reaffirmed)
30 Oct 2019	Cash Credit	Long Term	5.00	ACUITE BBB Stable (Reaffirmed)
	Bank Guarantee	Short Term	3.00	ACUITE A3+ (Reaffirmed)
	Proposed Bank Facility	Long Term	1.43	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	25.57	ACUITE BBB Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	4.43	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)

07 Sep 2018	Cash Credit	Long Term	5.00	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Term Loan	Long Term	22.57	ACUITE BBB Stable (Upgraded from ACUITE BBB- Stable)
	Bank Guarantee	Short Term	3.00	ACUITE A3+ (Upgraded from ACUITE A3)
23 Sep 2017	Cash Credit	Long Term	7.50	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	12.39	ACUITE BBB- Stable (Assigned)
	Bank Guarantee	Short Term	1.85	ACUITE A3 (Assigned)
	Proposed Bank Facility	Long Term	8.26	ACUITE BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Punjab National Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE A4+ Reaffirmed & Withdrawn
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	13.00	ACUITE BB+ Reaffirmed & Withdrawn
Punjab National Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE A4+ Reaffirmed & Withdrawn
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.55	ACUITE BB+ Reaffirmed & Withdrawn
Punjab National Bank	Not Applicable	Term Loan	Not available	Not available	Not available	20.45	ACUITE BB+ Reaffirmed & Withdrawn

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About Acuité Ratings & Research

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 8,850 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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