

Press Release

Khandelwal Pulse Mill

November 02, 2020

Rating Withdrawn



Total Bank Facilities Rated*	Rs.8.60 Cr.
Long Term Rating	ACUITE B- (Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuite has withdrawn the long-term rating of '**ACUITE B-**' (read as **ACUITE B minus**) on the Rs.8.60 crore bank facilities of Khandelwal Pulse Mill (KPM).

The rating is being withdrawn on account of request received from the company and the NOC received from the banker as per Acuite's policy.

KPM is a proprietorship concern headed by Mr. Ajay Kumar Khandelwal which is engaged in processing, cleaning, grading of pulses such as Chana Dal, Masoor Dal and Matar Dal at its processing plant located in Indore, Madhya Pradesh. The firm sells its products under the registered brands such as Olympic brand Masur, KPM Gold Besan. KPM sells to agents for locating with wholesalers in the PAN India, mainly in Punjab.

Analytical Approach

Acuite has considered the standalone financial and business risk profile KPM to arrive at this rating.

Key Rating Drivers

Strengths

• Experienced proprietor and established track record of operations

KPM was established in 1979 by Mr. Ajay Kumar Khandelwal, who has experience of more than two decades in the agriculture industry. Acuite believes that KPM will continue to benefit from its established position in the market and experienced management.

Weaknesses

• Weak financial risk profile

KPM has a weak financial risk profile marked by high gearing (Debt to Equity), TOL/TNW (Total outside Liability to Total Net worth), negative net worth and weak debt protection metrics. The gearing stood at (3.96) times as on March 31, 2020 (Provisional). TOL/TNW stood at (4.91) times as on March 31, 2020 (Provisional). Tangible net worth (Proprietors Capital) of the firm stood negative at Rs.(2.24) Crore as on March 31, 2020 (Provisional) as against Rs.(0.37) Crore as on March 31, 2019. Debt protection metrics of interest coverage ratio and net cash accruals to total debt stood weak at (0.98) times and (0.19) times, respectively in FY2020 (Provisional).

• Capital withdrawal risk

Being a proprietorship concern, KPM is exposed to the risk of capital withdrawal. However, no such instances have been observed during the period under study.

• Highly fragmented and competitive industry leading to low profitability

The firm operates in agro processing industry which is highly competitive and fragmented due to the presence of several organized and unorganized players. The high competition and low value addition in the agro processing industry results in low operating margin in FY2020 (Provisional) and FY2019.

Liquidity position: Stretched

The liquidity position of KPM is stretched mainly on account of continuous losses. The net cash accruals of the firm stood at Rs. (1.73) crore in FY2020 (Provisional). The working capital limits remain utilized at ~60-70 percent for September, 2020. The current ratio stands at 0.88 times and cash and bank balance at Rs.0.06 crore as on March 31, 2020 (Provisional) respectively.

Rating Sensitivities

Not Applicable

Material Covenants

None

Outlook

Not Applicable

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	33.38	23.09
PAT	Rs. Cr.	(1.84)	(2.62)
PAT Margin	(%)	(5.51)	(11.36)
Total Debt/Tangible Net Worth	Times	(3.96)	(26.85)
PBDIT/Interest	Times	(0.98)	(1.56)

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- 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 (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
07-May-2020	Term Loan	Long Term	0.60	ACUITE B- (Indicative)
	Cash Credit	Long Term	8.00	ACUITE B- (Indicative)
26-Feb-2019	Term Loan	Long Term	0.60	ACUITE B- / Stable (Downgraded from ACUITE B+ / Stable)
	Cash Credit	Long Term	8.00	ACUITE B- / Stable (Downgraded from ACUITE B+ / Stable)
06-Dec-2017	Term Loan	Long Term	0.60	ACUITE B+ / Stable (Assigned)
	Cash Credit	Long Term	8.00	ACUITE B+ / 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
Term Loan	Not Available	Not Available	Not Available	0.60	ACUITE B- (Withdrawn)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE B- (Withdrawn)

Contacts

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About Acuité Ratings & Research:

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