

Press Release

Khandelwal Agro Products

June 25, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 8.00 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) on the Rs. 8.00 crore bank facilities of Khandelwal Agro Products. The outlook is '**Stable**'.

Khandelwal Agro Products (KAP) is a proprietorship firm established in 2016 by Mr. Sanket Khandelwal. The firm is engaged in grading, sorting and flouring of wheat grains and trading of agro commodities. The plant is located in Ujjain, MP and has capacity of grading and sorting 60 ton of wheat and processing 40 ton of flour per day.

Key Rating Drivers

Strengths

- **Proximity to raw material**

The key raw material is wheat grain which is procured from Madhya Pradesh and Uttar Pradesh. KAP enjoys location advantage as the manufacturing unit is at close proximity to raw material ensuring a steady supply.

Weaknesses

- **Lack of track record of operations**

The firm was established in year 2016 and has reported revenues of around Rs. 21.56 crores in FY'2018 (provisional) as against Rs. 22.79 crores in the previous year.

- **Intense competition**

KAP operates in highly competitive industry with low barriers to entry resulting in intense competition from organized as well as unorganized sector. As a relatively new player in this industry, achieving operational efficiency along with sustaining quality products would be a key monitorable.

- **Moderate financial risk profile**

KAP has moderate financial risk profile marked by net worth of Rs.2.91 crore in FY 2018 (Provisional). Gearing of the firm is modest at 1.53 times in FY 2018 (provisional) as against 1.50 times previous year. Out of total debt of Rs.4.45 crore, short term debt accounts for Rs.2.17 crore, long term debt accounts for Rs.1.02 crore and Rs.0.89 crore is in the form of unsecured loans. Interest service coverage ratio is comfortable at 2.81 times in FY 2018 (Provisional) as against 3.12 times previous year. NCA/TD of the company is 0.12 times as against 0.14 times last year.

Analytical Approach

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

Outlook: Stable

ACUITE believes that outlook for KAP will remain stable over medium term backed by its steady supply of raw materials. The outlook may be revised to positive in case of prudent cost management.

Conversely, the outlook may be revised to negative in case of any deterioration of financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	21.56	22.79	9.32
EBITDA	Rs. Cr.	0.80	0.80	0.55
PAT	Rs. Cr.	0.25	0.26	0.09
EBITDA Margin	(%)	3.71	3.52	5.94
PAT Margin	(%)	1.15	1.13	0.95
ROCE	(%)	7.44	9.15	15.99
Total Debt/Tangible Net Worth	Times	1.53	1.50	23.17
PBDIT/Interest	Times	2.81	3.12	1.85
Total Debt/PBDIT	Times	5.57	4.72	8.41
Gross Current Assets (Days)	Days	100	90	112

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

None.

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.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	3.00	ACUITE B+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	1.48	ACUITE B+ / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	3.52	ACUITE B+ / Stable

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About Acuité Ratings & Research:

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