

## Press Release

### Kutch Oil And Soap Industry

July 25, 2018

### Rating Assigned



<b>Total Bank Facilities Rated*</b>	Rs. 13.15 Cr.
<b>Long Term Rating</b>	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.13.15 crore bank facilities of Kutch Oil and Soap Industry (KOSI). The outlook is '**Stable**'.

Kutch oil and soap industry based at Kutch (Gujarat) was established in 2015. The firm is engaged in manufacturing and supply of spent oil produced from spent earth. The firm is promoted by Bhimani group of companies which has presence of more than a decade in the oil and soap industry. The manufacturing facility is located at Kutch with installed capacity of 7500 MTPA. The finished product (spent oil) is used in animal feed and soap manufacturing.

### Key Rating Drivers

#### Strengths

- **Experienced Partners**

The partners of the firm are Mr. Mahamadali Khoja and Mr. Jakhu Virda. The partners have more than a decade experience through their association with other firms and company.

- **Proximity to raw materials and location advantage**

The factory is located near Mundra Port & Kandla Port and well connected with the National Highway. This has helped the firm in easy transportation of their products to major cities and timely procurement and availability of raw material i.e. spent earth (Soil).

#### Weaknesses

- **Nascent scale of operations**

KOSI was established in 2015 and started its commercial operations in April 2017. For FY2018 (Provisional), operations are marked by operating revenue of Rs.10.41 crore in the first year of operation. Further, the installed capacity of 7500 MTPA was utilised at ~40.00 percent due to limited orders and customer base.

- **Regulatory risk**

The production of edible oil may produce harmful effluents which may impact the environment. This industry is highly regulated by government and any adverse change will impact the operations to a certain extent. However, the firm has received necessary approvals from Gujarat Pollution Control Board (GPCB).

- **High competition**

The firm operates in a highly competitive industry characterised by large number of established and small players affecting its margins and bargaining power with customers. The firm being in early stage of operations also restricts its market to a certain extent.

### Analytical Approach

Acuite has considered the standalone business and financial risk profiles of Kutch Oil and Soap Industry for arriving at this rating.

### Outlook: Stable

Acuite believes that the outlook on KOSI will remain 'Stable' owing to its experienced partners. The outlook may be revised to 'Positive' if the firm is able to improve on its overall financial risk profile or scale up operations with improvement in profitability margins. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile.

### About the Rated Entity - Key Financials

	Unit	FY18(Provisional)
Operating Income	Rs. Cr.	10.41
EBITDA	Rs. Cr.	2.83
PAT	Rs. Cr.	0.26
EBITDA Margin	(%)	27.19
PAT Margin	(%)	2.50
ROCE	(%)	14.51
Total Debt/Tangible Net Worth	Times	2.46
PBDIT/Interest	Times	2.69
Total Debt/PBDIT	Times	4.93
Gross Current Assets (Days)	Days	232

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

Not applicable

### 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>

### 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	2.65	ACUITE B+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	10.50	ACUITE B+ / Stable

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### About Acuité Ratings & Research:

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