

Press Release

Kutch Oil And Soap Industry

July 25, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 13.15 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité 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

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

Outlook: Stable

Acuité 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

Contacts

Analytical	Rating Desk
Suman Chowdhury President - Rating Operations Tel: 022-67141107 suman.chowdhury@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in
Rupesh Patel Analyst - Rating Operations Tel: 022-67141320 rupesh.patel@acuiteratings.in	

About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings 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 6,000 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 Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.