

Press Release

Kaluram Food Products Private Limited

July 08, 2021



Rating Reaffirmed, Assigned and Outlook Revised

Total Bank Facilities Rated*	Rs.25.80 Cr.
Long Term Rating	ACUITE BBB- / Outlook: Stable (Reaffirmed; Outlook revised from Negative)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) on the Rs.25.80 Cr. bank facilities of Kaluram Food Products Private Limited (KFPPL). The outlook is revised to '**Stable**' from '**Negative**'.

Rationale for revision of outlook

The revision of outlook to stable is on account of sustained improvement in the operating performance thereby lower than expected impact of Covid – 19 led disruptions on business and financial profile of RG. The credit profile of RG has remained stable despite marginal decrease in operating margins, marked by Interest Coverage Ratio of 1.92 times for FY2021 (Provisional) as against 1.62 times for FY2020. However, due to year-end working capital utilisation, the Debt/EBITDA has slightly increased to 7.94 times for FY2021 as against 5.63 times for FY2020. Acuité does not expect any major alteration in the credit profile of RG in the near future, any deterioration will lead to negative biased towards the rating.

About the Entity

Incorporated in 2014 by Mr. Shivprakash Ruhatiya, Mr. Ajayprakash Ruhatiya and Mr. Shriprakash K. Agrawal. Akola based KFPPL is a part of Ruhatiya Group. KFPPL is engaged in manufacturing of refined Soyabean oil, Lecithin, Fatty acid, Acid oil and other soya products. The company sells its products under its brand 'VITTHAL'.

About the Group

Ruhatiya Group an independent family business was founded by Late Shri Kaluramji Ramkisanji Ruhatiya in 1957. The group currently comprises of eight entities in the group, Narmada Solvex Private Limited, Kaluram Food Products Private Limited, Ruhatiya Cotton & Metal Private Limited, Ruhatiya Spinners Private Limited, Ruhatiya Hospitals Private Limited, Kaluram Laminates Private Limited, Vidarbha Textile Mill Owners Association and Ruhatiya Agro Private Limited. The group is engaged in agro-based industries such as oil industry, textile industry, among others.

Analytical Approach

Acuité has considered the consolidated business and financial risk profile of Narmada Solvex Private Limited (NSPL) and Kaluram Food Products Private Limited (KFPPL) together referred to as the 'Ruhatiya Group' (RG) to arrive at the rating. The consolidation is in the view of similarity in the line of business and common management. Extent of consolidation: Full

Key Rating Drivers

Strengths

- Stable Business risk profile supported by experienced management and growth in scale of operations**

Ruhatiya Group is promoted by Mr. Shivprakash Ruhatiya, Mr. Ajayprakash Ruhatiya and Mr. Shriprakash K Agarwal. The promoters have an experience of over two decades in the agro-based industries. NSPL is engaged in the business of extraction of crude soya bean oil and soya bean de oiled cake and KFPPL is engaged in refining of soya bean oil, sunflower oil and groundnut oil. Further, the management of the group, over the years, has built a healthy relationship with major customers such as Adani Wilmar Limited, Godrej Agrovet Limited and Krishi Nutrition Company Private Limited among others.

RG's performance in FY2021 has not been majorly impacted due to Covid – 19 led disruptions. The group has been able to achieve a revenue growth of 15.26% per cent in FY2021 over FY2020. The revenues stood

at Rs.655.23 Cr. in FY2021 (Provisional) as against Rs.568.50 Cr. in the previous year.

Acuité believes that the group will continue to benefit through the promoters' extensive industry experience in the medium term.

- **Moderate Financial risk profile**

RG has a moderate financial risk profile marked by a modest capital structure and moderate debt protection metrics.

The tangible net worth of the group stood at Rs.55.36 Cr. as on March 31, 2021 (Provisional) as against Rs.51.05 Cr. as on March 31, 2020. The net worth includes quasi equity of Rs.25.46 Cr. from promoters.

The Gearing (Debt to Equity) remains moderate at 1.88 times as on March 31, 2021 (Provisional) and 1.47 times as on March 31, 2020 with debt profile consisting of both short term and long term secured debt obligations and unsecured loans from promoters.

The total debt in FY2021 (Provisional) stood at Rs.103.91 Cr. as against Rs.75.16 Cr. in FY2020. Increase in debt in FY2021 (Provisional) is attributed to additional short-term fund based bank facilities availed by the group.

The TOL/TNW (Total Outside Liabilities to Tangible Net Worth) stood at 2.56 times as on March 31, 2021 (Provisional) as against 1.78 times as on March 31, 2020. The Debt-EBITDA has also significantly increased to 7.94 times as on March 31, 2021 (Provisional) as against 5.63 times as on March 31, 2020.

The coverage indicators have improved on a Y-O-Y basis supported by growth in revenue and declining borrowing cost, as reflected in the Interest Coverage Ratio (ICR) of 1.92 times in FY2021 (Provisional) as against 1.62 times in FY2020, and Debt-Service Coverage Ratio (DSCR) of 1.63 times in FY2021 (Provisional) as against 1.35 times in FY2020. The NCA/TD (Net Cash Accrual to Total Debt) stood consistent at 0.06 times in FY2021 (Provisional) and in FY2020.

Acuité believes that the financial risk profile of the group will remain moderate on account of no major debt funded capital expenditure and moderate cash accruals over the medium term.

Weaknesses

- **Thin profitability margins along with fragmented oil industry**

The edible oil market is characterised by thin margin due to low value additive nature and intense competition. Operating margins have remained thin and declined to 2.00 percent in FY2021 (Provisional) as against 2.14 percent in FY2020, due to higher raw material costs. Further, PAT margins continued to remain less than 1 percent marked by 0.57 percent in FY2021 (Provisional) as against 0.29 percent in FY2020.

The Indian edible oil industry is highly fragmented with a large number of companies in the organised and unorganised sector due to low entry barriers (low capital and technical requirements of business and liberal policy regime). This has resulted in severe competition and inherently thin profitability margins.

- **Moderation in Working capital management**

RG's working capital management has moderated on a Y-O-Y basis marked by elongation in Gross Current Assets (GCA) of 101 days in FY2021 (Provisional) as against 80 days in FY2020. Elongation in GCA can be attributed to elongation in the Inventory holding period to 41 days in F2021 (Provisional) as against 24 days in FY2020 and elongation in Debtors collection period to 56 days in FY2021 (Provisional) as against 47 days in FY2020.

Delays in realisation of Inventory and Debtors has contributed to increase in Creditors payment period to 18 days in FY2021 (Provisional) as against 9 days in FY2020.

The average working capital limits remain utilised at ~90 percent for the trailing 6-month period ended May 2021.

- **Susceptibility to fluctuations in raw material price**

RG's operations are exposed to inherent risks associated with the agriculture-based commodity business, such as availability of raw materials, fluctuations in prices, and changes in government regulations. The group is engaged in the extracting and refining of edible oil. The prices of crude edible oil are volatile in nature; hence, the profitability is highly susceptible to the ability of the group to pass on the same to its customers. The low margin nature of the industry, dependence on climatic factors for good harvest results in vulnerability of profitability in a volatile pricing scenario.

Liquidity position: Adequate

RG has adequate liquidity marked by modest yet adequate Net Cash Accruals (NCA) of Rs.6.26 Cr. vis-à-vis its Rs.2.78 Cr. maturing debt obligations as on March 31, 2021 (Provisional). NCA of RG is expected to be in the range of Rs.5.00-Rs.8.00 Cr. during 2022-24 period vis-à-vis its maturing debt obligations of less than Rs.3.00 Cr. over the same period. The working capital management has however moderated on account of elongation of GCA to 101 days in FY2021 (Provisional) from 80 days in FY2020. RG's fund based bank facilities remain ~90 percent utilized for the trailing 6-month period ended May 2021. The group maintains unencumbered cash and bank balances of Rs.1.46 Cr. as on March 31, 2021 (Provisional). The current ratio of the group stood at 1.39 times as on March 31, 2021 (Provisional).

Acuité believes that RG's liquidity is expected to improve and remain at adequate levels over the medium term.

Rating Sensitivities

- Significant improvement in scale of operations while sustaining its profitability margins and financial risk profile.
- Deterioration in the working capital cycle leading to stress in the debt protection metrics or the liquidity position of the firm.
- Withdrawal of quasi equity capital from the entity.

Material Covenants

None

Outlook: Stable

The revision of outlook to stable is supported by stability observed in the credit profile of Ruhatiya Group (RG) supported by improvement in profitability indicators, debt protection indicators and adequate liquidity position marked by sufficient cash accruals vis-à-vis its maturing debt obligations. The outlook may be revised to 'Positive' in case the group registers higher-than-expected sustained growth in its scale of operations while maintaining its profitability and coverage indicators. Conversely, the outlook may be revised to 'Negative' in case the group registers of deterioration in its financial risk profile, liquidity profile and further deterioration in its working capital management resulting in deterioration in the overall capital structure and credit profile of the group.

About the Rated Entity - Key Financials

	Unit	FY21 (Provisional)	FY20 (Actual)
Operating Income	Rs. Cr.	655.23	568.50
PAT	Rs. Cr.	3.76	1.67
PAT Margin	(%)	0.57	0.29
Total Debt/Tangible Net Worth	Times	1.88	1.47
PBDIT/Interest	Times	1.92	1.62

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>
- Consolidation Of Companies - <https://www.acuite.in/view-rating-criteria-60.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
30-Dec-2019	Cash Credit	Long Term	21.00	ACUITE BBB- / Negative (Reaffirmed; Outlook revised from Stable)
	Term Loan	Long Term	4.80	ACUITE BBB- / Negative (Reaffirmed; Outlook revised from Stable)
01-Oct-2018	Cash Credit	Long Term	21.00	ACUITE BBB- / Stable (Assigned)
	Term Loan	Long Term	4.80	ACUITE BBB- / Stable (Assigned)

***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	23.50 (Revised from 21.00)	ACUITE BBB- / Stable (Reaffirmed; Outlook revised from Negative)
Term Loan	October, 2020	7.75%	July, 2022	1.33 (Revised from 4.80)	ACUITE BBB- / Stable (Reaffirmed; Outlook revised from Negative)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.97	ACUITE BBB- / Stable (Assigned)

[^]Sublimit of Packing Credit and Post shipment credit upto Rs.23.50 cr.

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About Acuité Ratings & Research:

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