



Press Release
KALURAM FOOD PRODUCTS PRIVATE LIMITED
January 02, 2024
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	25.80	ACUITE BBB- Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	25.80	-	-

Rating Rationale

Acuite has reaffirmed its 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 '**Stable**'.

Reason for reaffirmation

The rating reaffirmation takes into consideration the established position of the group in the soyabean oil segment and the existence of an established brand 'Vithhal'. The revenues of the company remained stable and stood at Rs.788.29 crore in FY23 compared to revenue of Rs.793.20 crore in FY22. However, there was a decline in the operating margins which stood at 1.66 percent in FY23 compared against 2.46 percent in FY22. Although there was demand for the products in FY23, the price realisation was less and this led to the decline in the margins along with higher selling expenses. The rating takes into account the moderate financial risk profile and adequate liquidity position of the group.

The ratings are however constrained by the working capital intensive operations of the group along with susceptibility to fluctuations in the raw material prices. The ability of the group to improve the operating margins will remain key monitorable in medium term.

About Company

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 'VITHHAL'.

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.

Unsupported Rating

Not Applicable

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

The team has considered the consolidated business and financial risk profile of Ruhatiya group to arrive at the rating. The group consists of Kaluram Food Products Private Limited (KFPPL) and Narmada Solvex Private Limited (NSPL). The consolidation is done on the basis of financial linkages and common management among them.

Key Rating Drivers

Strengths

Established management and long track record 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. The day-to-day operations of the company are managed by the promoter along with experienced senior management team who are ably supported by a strong line of mid-level managers. 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. Acuité believes that the group will continue to benefit through the promoters' extensive industry experience in the medium term.

Moderate financial risk profile

The group has a moderate financial risk profile marked by tangible net worth of Rs.46.71 crore as on 31 March, 2023 as against Rs.41.95 crore as on 31 March, 2022. The reserves also include the quasi equity of Rs.35.17 crore as on 31 March 2023. The gearing level of the group stood at 2.79 times as on 31 March, 2023 as against 2.43 times as on 31 March, 2022. The total debt outstanding of Rs.130.13 crore consists of short-term borrowings of Rs.94.96 crore. The group does not have any long-term borrowings in FY23. The coverage ratios of the group remained moderate with Interest Coverage Ratio (ICR) of 1.91 times for FY23 against 2.50 times for FY22. Also, the Debt Service Coverage Ratio (DSCR) stood at 1.65 times for FY23 against 1.29 times for FY22. The total outside liabilities to tangible net worth (TOL/TNW) of the group stood at 3.68 times as on March 31, 2023, against 3.62 times as on March 31, 2022. Acuité believes that the financial risk profile of the group is likely to remain moderate on account of no debt funded capex plans in the near to medium term.

Weaknesses

Working capital intensive operations

The working capital operations of the group are intensive marked by GCA days of 93 days for FY23 as against 81 days for FY22. The inventory levels stood at 23 days for FY23 compared against 15 days for FY22. The inventory majorly consists of the soyabean oil, deoiled cakes and the other packing materials. The debtor days of the group stood at 52 days in FY23 as against 54 days in FY22. The average credit period allowed to customers is around 45 days. The creditor days of the group stood at 19 days for FY23 as against 21 days for FY22. The average credit period available is around 30 days. The average utilization of the working capital limits of the group also remains moderate at ~62 percent in last six months ended September' 23. Acuité believes that the ability of the group to improve the working capital management will remain key rating sensitivity in medium term.

Susceptibility to fluctuations in raw material price

The group'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.

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.

Liquidity position: Adequate

The group has adequate liquidity position marked by sufficient net cash accruals against its maturing debt obligations. The group generated cash accruals of Rs.5.71 crore in FY23 compared against nil maturing debt obligations over the same period. The cash accruals of the group are estimated to remain around Rs.6.49-8.37 crore during 2023-25 period against nil maturing debt obligations for the same period. Furthermore, the group maintains unencumbered cash and bank balances of Rs.0.55 crore as on March 31, 2023, and the current ratio also stood moderate at 1.47 times as on March 31, 2023. Acuite believes that the liquidity of the company is likely to remain adequate over the medium term on account of adequate cash accruals against the nil maturing debt repayments over the medium term.

Outlook:

Acuite believes that the group will maintain a 'stable' outlook in the medium term and will continue to benefit over the medium term due to its experienced management. The outlook may be revised to 'Positive' if the company demonstrates substantial and sustained growth in its revenues and/or operating margins from the current levels while maintaining its capital structure. Conversely, the outlook may be revised to 'Negative', if company generates lower-than anticipated cash accruals thereby impacting its financial risk profile, particularly its liquidity.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	788.29	793.20
PAT	Rs. Cr.	3.57	7.56
PAT Margin	(%)	0.45	0.95
Total Debt/Tangible Net Worth	Times	1.16	0.98
PBDIT/Interest	Times	1.91	2.50

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

Not applicable

Any Other Information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>

Note on Complexity Levels of the Rated Instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite' s categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
04 Oct 2022	Cash Credit	Long Term	25.80	ACUITE BBB- Stable (Reaffirmed)
08 Jul 2021	Proposed Bank Facility	Long Term	0.97	ACUITE BBB- Stable (Assigned)
	Term Loan	Long Term	1.33	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	23.50	ACUITE BBB- Stable (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	25.80	ACUITE BBB- Stable Reaffirmed

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in Tanvi Kadam Analyst-Rating Operations Tel: 022-49294065 tanvi.kadam@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, Mumbai.

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