

Press Release

Kino Organics India Limited

December 04, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 8.50 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) and short term rating of '**ACUITE A4**' (read as **ACUITE A four**) to the Rs. 8.50 crore bank facilities of Kino Organics India Limited (KOIL). The outlook is '**Stable**'.

Incorporated in 2005, KOIL is a Madhya Pradesh-based company, previously known as Lordsons Agro Overseas Private Limited, promoted by Mr. Brajesh Shukla and Mrs. Laxmi Shukla. Later in 2013, the Directors, Mr. Prakash Chabra and Mr. Yukti Chabra took over the business and changed the name to Kino Organics India Limited. The company is engaged in manufacturing of agro chemicals such as pesticides, insecticides, and weedicides.

The raw materials are various solvents, fillers, alpha and lambda chemicals which are imported from China and also locally procured from Delhi and Gujarat. Further, the finished products are in the form of powder, granules or liquid which are sold in Madhya Pradesh, Uttar Pradesh, Maharashtra and Uttarakhand. KOIL has its manufacturing unit located in Indore (Madhya Pradesh) with installed capacity of manufacturing 15 tonnes granules per day and 20,000 litres of liquid per day.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of KOIL to arrive at this rating.

Key Rating Drivers

Strengths

• Experienced management

KOIL has its presence in agro chemical industry for more than two decades. The current Promoters have a vast experience of nearly two decades in agro chemical industry. Mr. Prakash Chabra has been involved in research, development, production and sales of pesticide products with several other domestic associates.

Acuité believes that the company will benefit from its experienced management which helps to maintain long standing relations with its customers and suppliers

• Average financial risk profile

The financial risk profile is average marked by tangible net worth of Rs.5.53 crore as on 31 March, 2018 as against Rs.2.18 crore in the previous year. The improvement in net worth is due to addition of funds by the promoters. The gearing stood average at 1.49 times on 31 March, 2018 as against 3.91 times in the previous year. The total debt of Rs.8.24 crore includes term loan from bank of Rs.1.18 crore, working capital borrowings of Rs.6.86 crore and unsecured loan of Rs.0.20 crore. Interest Coverage Ratio (ICR) stood at 4.59 times in FY2018 as against 2.59 times in FY2017. The total outside liabilities to tangible net worth (TOL/TNW) stood high at 6.06 times as on 31 March, 2018 as against 9.99 times in the previous year. The net cash accruals to total debt (NCA/TD) stood at 0.23 times in FY2018 compared to 0.07 times in FY2017.

Going forward, Acuité believes that the company's ability to improve its net worth along with debt protection metrics will remain key sensitivity.

Weaknesses

• Working capital intensive operations

The company's operations are working capital intensive marked by high Gross Current Assets (GCA) of 241 days in FY2018 as compared to 312 days in FY2017. The GCA days are mainly dominated by high collection period of 188 days in FY2018 compared to 218 days in FY2017. The inventory holding stood high at 46 days in FY2018 compared to 60 days in FY2017. Average cash credit utilisation is fully utilised till September, 2018.

Acuite believes that the efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

• Agro climatic conditions

The demand for the agrochemical such as pesticides and insecticides is highly dependent on the monsoon. Hence, any shortfall in rainfall can adversely impact the demand for agro chemicals.

Acuite believes that the company will remain exposed to inherent risks associated with the agro chemical industry over the medium term, which could constrain revenue growth or profitability.

Outlook: Stable

Acuite believes KOIL will maintain 'Stable' outlook over medium term owing to its experienced management and moderate financial risk profile. The outlook may be revised to 'Positive' if the company registers significant revenue growth and profitability and maintains the working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of stretch in working capital cycle or significant reduction in profitability leading to weakening of financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	52.60	23.70	17.62
EBITDA	Rs. Cr.	3.12	1.21	0.94
PAT	Rs. Cr.	1.55	0.37	0.27
EBITDA Margin	(%)	5.93	5.09	5.31
PAT Margin	(%)	2.95	1.57	1.52
ROCE	(%)	23.06	9.29	16.21
Total Debt/Tangible Net Worth	Times	1.49	3.91	4.48
PBDIT/Interest	Times	4.59	2.59	2.24
Total Debt/PBDIT	Times	2.61	7.01	8.62
Gross Current Assets (Days)	Days	241	312	323

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>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.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	7.00	ACUITE B+ / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE A4

Contacts

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About Acuité Ratings & Research:

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