

Press Release

Kino Organics India Limited

January 23, 2019

Rating Downgraded



Total Bank Facilities Rated*	Rs. 8.50 Cr.
Long Term Rating	ACUITE D (Downgraded from ACUITE B+/Stable)
Short Term Rating	ACUITE D (Downgraded from ACUITE A4)

* Refer Annexure for details

Rating Rationale

Acuité has downgraded the long term rating to '**ACUITE D** (read as ACUITE D) from '**ACUITE B+**' (read as ACUITE B plus) and short term rating to '**ACUITE D** (read as ACUITE D) from '**ACUITE A4**' (read as ACUITE A four) to the Rs.8.50 crore bank facilities of Kino Organics India Limited (KOIL).

The rating revision is in view of instances of delay in servicing its debt obligation as reported by the company.

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.

Weaknesses

• Delay in debt servicing

KOIL has been delaying its debt service obligation. There have been instances of devolvement of LC for more than 30 days and overdrawing in CC account for 45 days.

• 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.

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

None

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)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
04-Dec-2018	Cash Credit	Long Term	7.00	ACUITE B+ /Stable (Assigned)
	Letter of Credit	Short Term	1.50	ACUITE A4 (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	7.00	ACUITE D (Downgraded from ACUITE B+ /Stable)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE D ((Downgraded from ACUITE A4)

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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.

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