Press Release

Kisan Agro Product Industries

December 07, 2018

Rating Assigned

Total Bank Facilities Rated*	Rs. 17.00 Cr.
Long Term Rating	ACUITE BB / Outlook: Stable

** Refer Annexure for details*

Rating Rationale

Acuité has assigned the long-term rating of '**ACUITE BB**' **(read as ACUITE double B)** to the Rs. 17.00 crore bank facilities of Kisan Agro Product Industries (KAPI). The outlook is **'Stable'**.

KAPI, a Gujarat based partnership firm and was established in 1995 by Mr. Manubhai Patel, Mr. Shankarbhai Patel, Mr. Ramanbhai Patel and Mrs. Hemaben Patel. It is engaged in manufacture and export of various grades of Castor oil and Castor Seed Extraction. Presently, it is engaged only in trading of castor oil and seeds for the exporters. It procures the raw material from its group company, Kisan Oleochem and Derivatives Private Limited and exports majorly to USA.

About the Group

Kisan Agro group, based out of Gujarat, is engaged in extraction, refining and exporting of castor oil. Also, it is engaged in extracting solvent extraction from rapeseed. The castor oil is exported to foreign countries including china, Iran, Iraq, Japan and many more. It is used in various industries to manufacture cosmetic products, paints, plastic products. The rapeseed de-oiled cakes are majorly used as feed in poultry. The raw material such as castor seeds and rapeseed cake is procured from APMC of Gujarat and local suppliers in Rajasthan, Madhya Pradesh and Haryana. The installed capacity for castor oil is around 350 MT per day utilized to the tune of around 200 MT per day. For rapeseed cake, the installed capacity is 250 MT per day and utilization is around 100 MT per day.

Analytical Approach

Acuité has consolidated the business and financial risk profiles of Kisan Agro Products Industries (KAPI), Kisan Proteins Private Limited (KPPL) and Kisan Oleochem & Derivatives Private Limited (KODPL) together referred to as the 'Kisan Agro Group' (KAG). The consolidation is in view of the common management, strong operational and financial linkages between the entities and management stated posture of extension of support within the group companies. Extent of Consolidation : Full.

Key Rating Drivers

Strengths

- **Long track record of operation and experienced management**

  The promoters have more than two decades of experience in processing and trading of oil. The group has an established track record of operations of more than two decades which has helped the companies to establish long standing relations with the suppliers and customers. The extensive experience of the promoter is also reflected through its healthy revenue growth rate. The revenues of the group have increased at a CAGR of 7 percent over the last four years through 2018 to Rs.457.65 crore.

- **Efficient working capital management**

  The group's working capital cycle is efficiently managed as reflected by its Gross Current Asset (GCA) days of 71 in FY2018. The GCA days are mainly on account of inventory days of 30-45 days and around 15-30 days of receivable days. The group does not extend any major credit period to its customers and on the other hand gets around 45 days of credit period from its suppliers.

- **Average financial risk profile**

The financial risk profile of the group is average marked by moderate net worth, gearing and debt protection metrics of the group. The net worth of the group stood at Rs.26.67 crore (including Rs.7.33 crore of quasi equity) as on March 31, 2018 compared to Rs.22.73 crore (including Rs.7.33 crore of quasi equity) as on March 31, 2017. The gearing (debt-equity) improvedat 1.83 times as on March 31, 2018 compared to 2.43 times as on March 31, 2017. The total debt comprises term loan of Rs.0.69 crore, unsecured loans from promoters and others of Rs.0.53 crore and short term working capital funds of Rs.47.72 crore as on March 31, 2018. Interest coverage ratio stood at 1.37 times in FY2018. The total outside liabilities to tangible net worth (TOL/TNW) stood high at 2.50 times as on March 31, 2018.

Weaknesses

- **Susceptibility of profitability to fluctuations in raw material prices**

The operating margins are susceptible to raw material price fluctuation. Further, the margins are also uneven as the group also trades in various oils and the margins are thin in trading activities. The operating margins have declined to 1.66 percent in FY2018 from 2.16 percent in FY2017 and 2.13 percent in FY2016. Further, the operating margins will depend on the proportion of trading and processing activities of the group.

Outlook: Stable

Acuité believes that KAG will maintain a 'Stable' outlook over the medium term on account of the management's experience and established relations with clientele. The outlook may be revised to 'Positive' in case of substantial and sustained increase in revenues and profitability, while maintaining its efficient working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of any significant volatility in profitability or stretch in its working capital operations impacting the liquidity.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	457.65	310.89	276.23
EBITDA	Rs. Cr.	7.47	6.72	5.89
PAT	Rs. Cr.	1.09	0.86	0.71
EBITDA Margin	(%)	1.63	2.16	2.13
PAT Margin	(%)	0.24	0.28	0.26
ROCE	(%)	9.23	9.81	10.22
Total Debt/Tangible Net Worth	Times	1.83	2.43	2.82
PBDIT/Interest	Times	1.34	1.28	1.34
Total Debt/PBDIT	Times	6.41	8.01	6.36
Gross Current Assets (Days)	Days	71	112	79

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
- Trading Entities - https://www.acuite.in/view-rating-criteria-6.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
- Consolidation Criteria - https://www.acuite.in/view-rating-criteria-22.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	5.00	ACUITE BB / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BB / Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BB / Stable

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About Acuité Ratings & Research:
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