

Press Release

Keshav Industries Private Limited



D-U-N-S® Number: 87-163-7132

March 29, 2019

Rating Assigned

Total Bank Facilities Rated*	Rs. 15.00 Cr.
Long Term Rating	ACUITE BB+ / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB+**' (**read as ACUITE double B plus**) and short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) to the Rs. 15.00 crore bank facilities of KESHAV INDUSTRIES PRIVATE LIMITED (KIPL). The outlook is '**Stable**'.

KIPL, incorporated 2009, is promoted by Mr. Navneet Garg and his wife, Mrs. Shikha Garg. The company is engaged in manufacturing of soya refined oil. It also manufactures cotton refined oil and sells by-products such as Lacithin and fatty acid manufactured during the process. The refinery is located in Dewas (Madhya Pradesh) and has capacity of 150 MT per month. Company's products are sold under the brand name 'Kash' and 'Pride'.

Analytical Approach

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

Key Rating Drivers

Strengths

- Experienced management**

The company is managed and operated by Mr. Navneet Garg and his family who have been associated with the edible oil industry for more than two decades. The company's revenue grew at CAGR of 17 per cent during the period FY2016 to FY2018. The revenue stood at Rs.184.31 crore in FY2018 against Rs.135.30 crore in FY2016. KIPL is expected to continue to leverage its well established relationships with customers and suppliers over the medium term. Acuité believes that the company will continue to benefit from its experienced management.

- Moderate financial risk profile**

KIPL has moderate financial risk profile marked by tangible net worth of Rs.7.31 crore as on 31 March, 2018 as against Rs.6.99 crore as on 31 March, 2017. The gearing stood at 1.13 times as on 31 March, 2018 as against 1.19 times as on 31 March, 2017. The debt of Rs.8.29 crore mainly consists of term loan of Rs.0.36 crore, unsecured loan of Rs.0.13 crore and short term working capital borrowings of Rs.7.80 crore as on 31 March, 2018. Interest Coverage Ratio (ICR) stood at 2.65 times in FY2018 as against 2.67 times in FY2017. Debt Service Coverage Ratio (DSCR) stood at 2.05 times in FY2018. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.15 times as on 31 March, 2018 and 31 March, 2017. Going forward, Acuité expects the financial risk profile to improve marginally in the absence of major debt funded capex plans backed by moderate cash accruals.

- Comfortable working capital operations**

KIPL's working capital operations are comfortable marked by Gross Current Assets (GCA) of 72 days in FY2018, an increase from 32 days in FY2017. The GCA days are dominated mainly on account of debtor days of 37 in FY2018 compared to 3 days in FY2017. The inventory holding period stood at 23 days in FY2018 against 22 days in FY2017. In line with the increase in collection period, creditor days

increased to 46 in FY2018 against 5 days in FY2017. Acuité believes that efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

Weaknesses

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

Oilseed production in India is insufficient to meet rising demand in India, thus, the gap between demand and supply is generally met through imports. Thus, prices are determined by global forces of demand and supply which results in volatility in prices both at input level as well as at end product level. Moreover, government intervenes at regular intervals in the form of changes in duty structure to protect the interest of refiners and to narrow the gap between duties on crude oil and refined oil. Also, oilseed production is exposed to vagaries of nature.

- **Competitive and fragmented industry**

The company operates in a highly competitive and fragmented industry and faces tough competition from various established brands in the edible oil industry as well as several unorganised players which could have an impact on the bargaining powers with the customers, and hence, the margins. Operating profitability stood low at 1.22 percent in FY2018 and 1.41 percent in the previous year on account of low value additive nature of operations.

Liquidity Position:

KIPL has moderate liquidity marked by moderate net cash accruals to its maturing debt obligations. KIPL generated cash accruals of Rs.1.22 crore in FY2018 against which its repayment obligations was ~Rs.0.15 crore. The company's working capital is comfortably managed as marked by gross current asset (GCA) days of 72 in FY 18. The company maintained unencumbered cash and bank balances of Rs.0.25 crore as on March 31, 2018. The current ratio stood at 1.11 times as on March 31, 2018. Acuité believes that the liquidity of the KIPL is likely to remain moderate over the medium term on account of steady cash accrual and no major repayments over the medium term.

Outlook: Stable

Acuité believes that KIPL will maintain a 'Stable' business risk profile over the medium term benefitting from its experienced management moderate financial risk profile and efficient working capital operations. The outlook may be revised to 'Positive' in case the company registers higher than expected revenues while improving its profitability. Conversely the outlook may be revised to 'Negative' in case of any stretch in its working capital management or larger-than-expected debt-funded capital expenditure leading to deterioration in the financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	184.31	155.74	135.30
EBITDA	Rs. Cr.	2.24	2.20	1.86
PAT	Rs. Cr.	0.32	0.31	0.20
EBITDA Margin	(%)	1.22	1.41	1.38
PAT Margin	(%)	0.18	0.20	0.14
ROCE	(%)	9.06	9.98	15.53
Total Debt/Tangible Net Worth	Times	1.13	1.19	0.62
PBDIT/Interest	Times	2.65	2.67	4.28
Total Debt/PBDIT	Times	3.63	3.67	2.20
Gross Current Assets (Days)	Days	72	32	28

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>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.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	8.10	ACUITE BB+ / Stable
Bills Discounting	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE A4+
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	3.90	ACUITE BB+ / Stable

Contacts

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in
Manmיתה Sodhi Analyst - Rating Operations Tel: 022-49294024 manmיתה.sodhi@acuiteratings.in	

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.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.