



Press Release
Keshav Ginning And Pressing Factory
January 02, 2025
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	77.00	ACUITE BBB Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	77.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating at ‘**ACUITE BBB**’ (read as **ACUITE triple Bo**)n the Rs. 77.00 Cr. bank facilities of Keshav Ginning and Pressing Factory (KGPF). The outlook is ‘**Stable**’.

Rationale for Rating reaffirmation

The rating reaffirmation is on account of the significant growth in standalone revenue of the firm which increased to Rs. 732.17 Cr. in FY2024 from Rs. 316.18 Cr. in FY2023 and Rs. 322.31 Cr. in FY2022. The working capital operations of KGPF improved and remained efficient in nature marked by GCA of 53 days as on March 31,2024 as against 90 days as on March 31,2023. The rating continues to factor in the partner's extensive experience in the said line of business and the firm's long operational history. The rating also considers the adequate liquidity profile supported by its moderately utilized fund-based bank limits and steady cash accruals against nominal repayment obligations. However, the operating profitability of KGPF declined to 1.78 percent in FY2024 from 2.62 percent in FY2023 and 4.30 percent in FY2022. Further, the rating remains constrained on account of KGPF's moderate net worth level, its presence in a highly fragmented and regulated industry with intense competition.

About the Company

Maharashtra based Keshav Ginning and Pressing Factory (KGPF) was incorporated as a partnership firm in 2000 by Mr. Rameshwar Ramdayal Tawani and Mr. Karan Singh Rajpal. The firm is engaged in cotton ginning and pressing activities. The firm currently has 5 ginning plants located in Maharashtra out of which 4 are owned and 1 is on lease. The total installed capacity of the ginning and pressing unit is 1,559,200 quintals, while the total installed capacity of the oil extraction unit is 250,000 quintals.

Unsupported Rating

Not Applicable

Analytical Approach

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

Acuite had previously consolidated the business and financial risk profile of Manjeet Fibers Private Limited, Keshav Ginning and Pressing Factory and Man Cott Private Limited. The consolidation was on account of the common management, similarities in the line of business and presence of significant operational and business synergies. Together these companies were referred to as the Manjeet Group.

Subsequently, now Man-Cott Private Limited and Manjeet Fibres Private Limited is not a part of the consolidation for this review exercise. Acuite's rating on Man Cott Pvt Ltd was withdrawn on 5th September 2022 and Manjeet Fibres Private Limited was withdrawn on 3rd October 2023. Thereafter, Acuite has not received any data and information of both these entities for the purpose of conducting review. Thus, due to the lack of information for

both Man Cott Private Limited and Manjeet Fibers Private Limited, Acuite has not considered these entities as a part of consolidation for this review.

Key Rating Drivers

Strengths

Experienced management and long track record of operations

The firm was established in the year 2000 as a partnership entity, with Mr. Rameshwar Tawani and Mr. Karan Singh Rajpal as its current partners. Mr. Tawani brings over 26 years of experience to the firm, while Mr. Karan Singh Rajpal, a qualified second-generation leader, plays a vital role in managing its day-to-day operations.

Acuité believes that the firm's long presence in the industry and the experience of the management will continue to support the growth plans going forward over the medium term.

Significant improvement in scale of operations; albeit decline in operating margin

In FY 2024, the firm recorded a significant growth in revenue to Rs. 732.17 Cr., compared to Rs. 316.18 Cr. in FY2023 and Rs 322.31 Cr. in FY2022. This revenue growth was primarily driven by higher sales volumes resulting from an increase in both actual installed capacity and production levels. Additionally, the capacity utilization rose to 57.35% in FY 2024, up from 19.67% in FY 2023. In 8MFY25, KGPF's reported revenue of approximately Rs. 330.39 Cr, compared to Rs. 367.62 Cr. in 8MFY24. However, the operating margin for FY2024 declined to 1.78 %, in FY2024 from 2.62 % in FY2023.

This decline in operating margin was primarily due to lower price realizations, despite the increase in sales volumes for FY 2024. However, despite the challenges, KGPF was able to record a significant growth in topline, albeit some moderation is expected in FY2025 primarily on account of persistent lower price realisation. Further, the Profit After Tax (PAT) margin recorded a decline, standing at 0.76 % in FY2024, as compared to 1.17 % in FY2023.

Improved working capital operations

The working capital operations of the firm improved and remained efficient in nature marked by GCA days of 53 days in FY2024 as against 90 days in FY2023. The GCA days improved on account of improved inventory cycle and debtor days. The inventory holding period improved and stood at 29 days in FY2024 as compared to 56 days in FY2023. The debtor's collection period stood at 21 days in FY2024 as against 33 days in FY2023. The creditor days stood at 3 days in FY2024 as against 12 days in FY2023. The raw materials required for the manufacturing business are directly acquired from farmers, hence no credit period is extended for this segment. Furthermore, the average utilization for fund-based limits remained moderate, averaging around 56.20% over the last nine months ending Nov 2024.

Acuite believes that the ability of the firm to improve its scale of operations without any significant elongations in the working capital cycle will be a key monitorable.

Weaknesses

Moderate financial risk profile

The financial risk profile of the firm is moderate marked by moderate networth, gearing and debt protection metrics. The adjusted tangible net worth of the firm increased to Rs. 39.36 Cr. as on March 31st, 2024, as against Rs. 32.95 Cr. as on March 31st, 2023. The networth includes Rs. 9.08 Cr. as Quasi Equity. The total debt of the firm stood at Rs. 72.91 Cr. as on March 31, 2024, as against Rs. 48.48 Cr. as on March 31, 2023. The gearing of the firm marginally increased to 1.85 times as on March 31, 2024 from 1.47 times as on March 31, 2023. However, is expected to improve over the medium term as the firm does not plan to incur any additional long-term loans. The TOL/TNW of the firm stood at 2.02 times as on March 31, 2024, as against 1.81 times as on March 31, 2023. Also, the Debt/EBITDA levels of the firm stood at 5.28 times in FY2024 as against 5.26 times in FY2023. Further, the debt protection metrics of the firm stood moderate reflected by debt service coverage ratio of 1.71 times for FY2024 as against 1.72 times for FY2023. The interest coverage ratio stood at 2.05 times for FY2024 as against 2.29 times for FY2023. The decline in ICR is due to higher interest cost incurred during the year. The net cash accruals to total debt (NCA/TD) stood at 0.10 times in FY2024 as compared to 0.11 times in the previous year.

Going ahead, the financial risk profile is expected to improve on account of steady accruals generation and in absence any further major debt funded capex over the medium term.

Highly fragmented and regulated industry with intense competition and exposure to agro-climatic risk

The firm operates in a highly fragmented and regulated cotton industry characterized by the presence of a large number of unorganised players, thereby impacting the group's bargaining power. The prices of raw cotton are regulated by the government through MSP (Minimum Support Price) mechanism which impact the procurement of raw cotton required by the domestic ginning companies. However, the selling price of the output depends on the prevailing demand-supply situation restricting the bargaining power with customers, thereby impacting margins. Acuité believes that the firm will be able to mitigate this risk to some extent on account of its promoters' experience and well-established position in the market. Further, cotton being a seasonal crop and the production of the same being highly dependent upon monsoon, the firm is always exposed to agro climatic risk.

Rating Sensitivities

- Improving scale of operations while maintaining profitability margins.

- Elongation of working capital cycle leading to stretched liquidity.

Liquidity Position

Adequate

The firm's liquidity position is adequate. The firm generated sufficient net cash accruals of Rs. 7.08 Cr. in FY2024 as against its nominal maturity debt obligations of Rs. 1.37 Cr. during the same period. In addition, it is expected to generate sufficient cash accrual in the range of Rs. 7.73 – Rs. 9.63 Cr. against its nominal maturing repayment obligations of Rs. 0.53 Cr. over the medium term. The cash and bank balances of the firm stood at Rs. 4.78 Cr. as on March 31, 2024. The current ratio stood comfortable at 1.35 times as on March 31, 2024. Further, the working capital management of the firm efficient in nature marked by Gross Current Assets (GCA) of 53 days in FY2024, with, moderate reliance on working capital limits with average utilisation of fund-based limits at 56.20 % over the past nine months ending Nov 2024.

Acuité believes that going forward the firm will maintain adequate liquidity position owing to steady accruals.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	732.17	316.18
PAT	Rs. Cr.	5.56	3.70
PAT Margin	(%)	0.76	1.17
Total Debt/Tangible Net Worth	Times	1.85	1.47
PBDIT/Interest	Times	2.05	2.29

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.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. Acuité'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	
05 Oct 2023	Term Loan	Long Term	1.27	ACUITE BBB	Stable (Reaffirmed)
	Cash Credit	Long Term	70.00	ACUITE BBB	Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	5.45	ACUITE BBB	Stable (Reaffirmed)
	Term Loan	Long Term	0.28	ACUITE BBB	Stable (Reaffirmed)
05 Aug 2022	Term Loan	Long Term	6.73	ACUITE BBB	Stable (Reaffirmed)
	Cash Credit	Long Term	70.00	ACUITE BBB	Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	0.27	ACUITE BBB	Stable (Reaffirmed)
07 May 2021	Cash Credit	Long Term	70.00	ACUITE BBB	Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	0.27	ACUITE BBB	Stable (Assigned)
	Term Loan	Long Term	6.73	ACUITE BBB	Stable (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Bank of Baroda	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	70.00	Simple	ACUITE BBB Stable Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	7.00	Simple	ACUITE BBB Stable Reaffirmed

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About Acuité Ratings & Research

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