

Press Release

Kavin Products

October 06, 2021

Rating Downgraded



Total Bank Facilities Rated*	Rs. 20.00 Cr.
Long Term Rating	ACUITE D (Downgraded from ACUITE BB-/Stable)

* Refer Annexure for details

Rating Rationale

Acuite has downgraded its long term rating to '**ACUITE D**' (read as **ACUITE D**) from '**ACUITE BB-** (read as **ACUITE double B minus**)' on the Rs. 20.00 crore bank facilities of Kavin Products.

The rating downgrade is on account of delays in servicing of interest on term loans reported in September 2021.

About the Firm

Kavin Products, a partnership firm established recently in the year 2018 is engaged into processing of paddy and milling of rice in the state of Tiruvannamalai, Tamil Nadu. The firm was promoted by Mr. E.V Velu and Mr. Vigneshwar.

Analytical Approach

Acuite has taken a standalone view of the business and financial risk profile of the firm to arrive at the rating.

Key Rating Drivers

Strengths

• Extensive experience and established track record of operations

Mr. E.V. Velu has long experience in the field of education and in public life. He has served as a Minister of Food and Consumer protection in Tamil Nadu Government cabinet from 2006-11. Mr. Vigneshwar is an MBA graduate in Marketing and Management from the University of North Carolina, USA. The promoters have appointed a discerning expert in the industry that has helped the firm in day to day activity resulting in revenues of Rs.44.76 Cr in their second year of operations with an operating margin of 8.24 percent. The firm offers its products to various regions in Southern India, namely Andhra Pradesh, Tamil Nadu and Karnataka.

Acuite believes that the partners' presence in the Food and Consumer industry and moderate geographical diversity are expected to support in improvement of its business risk profile over the medium term.

Weaknesses

• Delays in interest payment of debts

The firm has been facing significant liquidity pressure, which has impeded its ability to meet its interest obligation in a timely manner. The account of the firm has been irregular reflected by delays in servicing its interest obligation on long term debt availed from its lenders in due time.

• Highly competitive and fragmented industry affected by agro climatic risks

The agro commodity (rice) industry is highly competitive with multiple players coupled with low entry barriers resulting in intense competition from both the organised as well as unorganised players. Paddy, which is the main raw material required for rice, is a seasonal crop and adequate and timely availability, is highly dependent upon monsoon. Thus, inadequate or erratic rainfall may have a bearing on availability as well as pricing of paddy and have a bearing on the pricing of rice as well as the profitability.

Rating Sensitivities

- The ability of the firm to repay its debt obligations on time will be a key rating sensitivity.

Material Covenants

None

Liquidity Position: Poor

The firm's liquidity profile remains poor on account of delays in servicing the debt obligations.

Outlook: Not Applicable

About the Rated Group – Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	44.76	32.24
PAT	Rs. Cr.	0.26	0.21
PAT Margin	(%)	0.58	0.64
Total Debt/Tangible Net Worth	Times	2.52	3.65
PBDIT/Interest	Times	2.43	2.30

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>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument/Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
28-Oct-2020	Cash Credit	Long Term	6.00	ACUITE BB-/Stable (Reaffirmed)
	Term Loan I	Long Term	3.50	ACUITE BB-/Stable (Reaffirmed)
	Term Loan II	Long Term	0.25	ACUITE BB-/Stable (Reaffirmed)
	Term Loan III	Long Term	3.50	ACUITE BB-/Stable (Reaffirmed)
	Term Loan IV	Long Term	0.33	ACUITE BB-/Stable (Reaffirmed)
	Term Loan V	Long Term	0.50	ACUITE BB-/Stable (Assigned)
	Proposed Facility	Long Term	5.92	ACUITE BB-/Stable (Reaffirmed)
18-Nov-2019	Cash Credit	Long Term	6.00	ACUITE BB-/Stable (Assigned)
	Term Loans	Long Term	10.55	ACUITE BB-/Stable (Assigned)
	Proposed Facility	Long Term	2.57	ACUITE BB-/Stable (Assigned)

	Letter of Credit	Short Term	0.88	ACUITE A4 (Assigned)
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***Annexure – Details of instruments rated**

Lender Name	Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Karur Vysya Bank	Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE D (Downgraded from ACUITE BB-/Stable)
Karur Vysya Bank	Term Loan I	13.07.2017	9.60%	13.08.2023	3.50	ACUITE D (Downgraded from ACUITE BB-/Stable)
Karur Vysya Bank	Term Loan II	22.09.2018	9.35%	20.02.2024	0.25	ACUITE D (Downgraded from ACUITE BB-/Stable)
Karur Vysya Bank	Term Loan III	09.06.2017	9.65%	09.07.2023	3.50	ACUITE D (Downgraded from ACUITE BB-/Stable)
Karur Vysya Bank	Term Loan IV	22.12.2017	10.15%	22.01.2024	0.33	ACUITE D (Downgraded from ACUITE BB-/Stable)
Karur Vysya Bank	Term Loan V	03.01.2020	10.15%	03.09.2025	0.50	ACUITE D (Downgraded from ACUITE BB-/Stable)
Not Applicable	Proposed Facility	Not Applicable	Not Applicable	Not Applicable	5.92	ACUITE D (Downgraded from ACUITE BB-/Stable)

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About Acuite Ratings & Research:

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