



Press Release
KUMAR AUDYOGIK VIKAS PRIVATE LIMITED
September 14, 2023
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	45.00	ACUITE BB- Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	45.00	-	-

Rating Rationale

Acuite has assigned its long term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) on the Rs.45.00 Crore bank facilities of Kumar Audyogic Vikas Pvt Ltd (KAVPL). The outlook is '**Stable**'.

Rationale for rating

The rating reflects the extensive experience of the promoters, healthy relations with customers and suppliers, a favourable revenue mix, and a diversified customer base. Further, the rating factors in the below average financial risk profile characterized by high gearing and average debt protection metrics. The strengths are however, partly offset by the working capital-intensive nature of operations and niche industry characterized by intense competition and vulnerability in the margins due to fluctuations in the raw material prices.

About the Company

Kumar Audyogic Vikas Pvt Ltd was incorporated on December 16, 1976 as a closely held Pvt. Ltd. company; engaged in the manufacturing of Spices, Pickles, Sevaiyan, Soya bari, Namkeen, Gulab Jamun Powder, Macaroni, Pasta, Noodles and other food items which is sold in the market under the Brand name of "R L Masala". With 3 plants located at Chandauli, Uttar Pradesh; KAVPL's majority of revenue contribution generates from the semi urban and rural areas of Uttar Pradesh, Bihar and Jharkhand.

About the Group

About the Group – R.L. Group

RL group started purchasing of spices from Rajasthan and sold in nearby towns of Varanasi. Since 1968, the business was working under proprietorship firm and in 1994 it was given corporate structure when Raghunath Laxmi Narayan Spices Pvt Ltd was incorporated. From the business of trading of whole spices, the group moved to Manufacturing of powdered spices. Since the year 2008, powdered spices are being sold under the brand name of "R L MASALA". Further in 2016; RL Group constructed and started a hotel in the name of "Hotel Tridev" near Bhairav Nath Temple in Varanasi district. Further the group was allotted Tata Motors commercial vehicle dealership in Varanasi and Jaunpur district which started its operation in Jan 2018. Recently RL group received dealership of Hyundai Motors for Varanasi district which commenced its operation in March 2023.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of Kumar Audyogic Vikas Private Ltd (KAVPL) to arrive at the rating.

Key Rating Drivers

Strengths

Average Business Risk Profile

KAVPL was previously engaged in trading of spices since 1976; and forayed into manufacturing of blended and grounded spices by backward integration in the same industry since 2008. Consequently, the company gradually diversified its product portfolio and now generates revenue from sale of spices (blended/grounded), pickles, Soyabadi, sevaiya, Vermicelli, noodles and macaroni. As on FY23, KAVPL has 93 owned vehicles to cater to the distribution of its produces. KAVPL is planning to set up a new plant for its noodle product in FY24. KAVPL also generates rental income from its owned commercial property; apart from its operating income. The outstanding order book of KAVPL as on June 30, 2023 amounts to Rs.3 crore approximately; and is expected to grow over the medium term.

Below average financial risk profile albeit improving profitability

The financial risk profile of the company is below average, marked by its low net worth, high gearing and moderate debt protection metrics. Net worth of the company increased to Rs.18.56 crore as on March 31, 2023 (prov); vis a vis Rs. 14.5 crore as on March 31, 2022 and as against Rs.13.16 Cr. as on March 31, 2021 due to accretion of reserves. The Debt-equity (gearing) stood at 2.4 times in FY2023 (prov) Vis a Vis 2.6 times in FY2022. Going forward, the gearing of the company is likely to remain on the higher side; since company has Rs.21 crore of capex plans in FY24; out of which approximately Rs.15 crore would be debt funded. The company is setting up a new plant for its noodles and vermicelli products with enhancement in its capacity; also setting up a division of ketchup separately.

Weaknesses

Intensive Working Capital Management

The working capital management of the company is marked by high Gross Current Assets (GCA) of 244 days on 31st March 2023 (prov) as compared to 222 days on 31st March 2022. - The inventory holding stood high at 148 days on 31st March 2023 (prov) as compared to 125 days as on 31st March 2022. The debtor period stood moderate at 74 days as on 31st March 2023 (prov); viz a viz 73 days on March 31, 2022. The high inventory is on account of volatility observed in the commodities E.g. Turmeric, Jeera etc. To minimize the impact of raw material prices on profitability margins, KAVPL stocks up its inventory and uses the same throughout the year for processing finished products. - Acuité believes that the working capital operations of the company will remain at same level with high inventory levels over the medium term.

Susceptibility of margins to fluctuation in raw material prices

KAVPL's profitability depends on prices of key raw material, i.e. Turmeric, cumin etc. which are highly volatile in nature. The company's operating margins are inherently exposed to the commodity prices volatility; despite of minimizing the impact by maintaining high inventory levels throughout the year.

Rating Sensitivities

- Improvement in scale of operations along with sustenance of the profitability margins.
- Elongation of working capital cycle.
- Sustenance of capital structure.

All Covenants

None

Liquidity Position

Stretched

KAVPL has a stretched liquidity position marked by net cash accruals of Rs.6.51 crore as on March 31, 2023 (prov) as against debt obligations of Rs3.31 crore over the same period. The company's reliance on working capital borrowings is on higher side marked by ~100% of bank limit utilization; KAVPL is in the pipeline for an enhancement of Rs.9 crore. Furthermore, the company maintains cash and bank balances of Rs.0.68 crore as on March 31, 2023 (prov) and

the current ratio also stood at 1.4 times as on March 31, 2023 (prov. KAVPL also did an investment of Rs.1.5 crore in FY23 towards fixed deposits against its Letter of credit towards machinery import in china; there is no outstanding LC as on July 28, 2023 (prov).

Outlook: Stable

Acuité believes that KAVPL will maintain a 'Stable' outlook and continue to benefit over the medium term owing to its promoters' experience, Strong product profile, and strong dealership network. The outlook may be revised to 'Positive' in case of sustained improvement in the scale of operations and profitability while maintaining comfortable financial risk profile and liquidity position. Conversely, the outlook may be revised to 'Negative' in case of a steep decline in revenue and profitability or if the financial risk profile weakens, because of stretch in the working capital cycle or higher than expected debt-funded capital expenditure.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	92.56	85.11
PAT	Rs. Cr.	4.05	1.38
PAT Margin	(%)	4.37	1.62
Total Debt/Tangible Net Worth	Times	2.40	2.82
PBDIT/Interest	Times	2.83	1.89

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>
- Entities In Manufacturing Sector:- <https://www.acuite.in/view-rating-criteria-59.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.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, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite'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 :

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	24.00	ACUITE BB- Stable Assigned
Punjab National Bank	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	3.71	ACUITE BB- Stable Assigned
Punjab National Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	17.29	ACUITE BB- Stable Assigned

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, Mumbai.

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