February 12, 2014

Facilities	Amount (Rs. Crore)	Ratings
Cash credit	22.10	SMERA B/Stable (Assigned)
Term Loan – I	10.32	SMERA B/Stable (Assigned)
Term Loan – II	3.98	SMERA B/Stable (Assigned)
Term Loan – III	4.45	SMERA B/Stable (Assigned)
Funded Interest Term Loan	3.92	SMERA B/Stable (Assigned)
Working Capital Term Loan	3.41	SMERA B/Stable (Assigned)
Bank Guarantee	0.50	SMERA A4 (Assigned)
Letter of Credit	27.00	SMERA A4 (Assigned)

SMERA has assigned ratings of **'SMERA B' (read as SMERA single B) and 'SMERA A4' (read as SMERA A four)** to the Rs.75.68 crore bank facilities of Kaaiser Oils Pvt. Ltd. (KOPL). The outlook is **'Stable'**. The ratings are constrained by the company's short track record of operations and high leverage amidst intense competition and low margins in the wholesale market of loose edible oils. The ratings are also constrained by the susceptibility of the company's profit margins to raw material price volatility and a limited product profile. However, the ratings are supported by the company's qualified management.

KOPL, established in 2011, is a Kolkata-based company engaged in manufacturing and bulk selling of edible oils, which is a highly working capital intensive business. KOPL's plants are modern continuous type, as opposed to batch type. The company thus needs to maintain large inventory volumes to ensure uninterrupted working. KOPL's leverage is high at 4.06 times as on March 31, 2013. The company faces intense competition from several players in the edible oil industry. However, the company is diversifying its product profile into different edible oils including mustard oil in packed form, in order to achieve higher value addition and minimise the risk of volatility in market prices of loose oils. KOPL's profit margins have been susceptible to volatility in prices of raw materials. The company faced delays in regular manufacturing operations due to natural calamities (on two occasions) at the factory site and a working capital stretch. Consequently, KOPL suffered losses. The company's debt was subsequently restructured in May 2013, with an increment in the working capital limits. KOPL's operations have stabilized since September 2013. The company is poised to benefit from its qualified management. Mr. Aditya Sikdar, director of KOPL, is a qualified chartered accountant with 35 years of experience.

Outlook: Stable

SMERA believes the outlook on KOPL's rated facilities will remain stable over the medium term on the back of the company's qualified and experienced management. The outlook may be revised to 'Negative' in case of deterioration in the company's financial profile. The outlook may be revised to 'Positive' in case the company generates larger-than-expected cash flows with increase in scale of operations.

SMERA 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. SMERA 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, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA 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. SMERA 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.smera.in) for the latest information on any instrument rated by SMERA.

About the company

KOPL, established in 2010, is a Kolkata-based company promoted by Mr. Aditya Sikdar and Mr. Amartya Sikdar. The company was engaged in manufacturing and marketing of loose rice bran oil. Due to growing scarcity of rice bran in West Bengal, volatility in wholesale prices of loose oils and limited working capital resources, KOPL faced difficulties in regular operations of its plant. The company has now diversified into production and marketing of different oils under its own brand from September 2013. The company has a manufacturing unit in Burdwan (West Bengal), with a refining capacity of 100 TPD supported by a solvent extraction plant of 250 TPD for processing of rice bran, or 450 TPD for processing of mustard cakes. KOPL's manufacturing unit was set up at a total project cost of Rs.22.88 crore, funded through term loans Rs.14.30 crore and equity of Rs.8.58 crore.

In FY2012–13, due to discontinued operation of the plant for about seven months, KOPL reported net loss of Rs.3.76 crore on net sales of Rs.25.23 crore, as compared with profit after tax of Rs.0.08 crore on net sales of Rs.15.27 crore for FY2011–12 (with two months operation during the year). KOPL's net worth stood at Rs.10.87 crore as on March 31, 2013, as compared with Rs.13.17 crore a year earlier

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