



SMERA RATINGS LIMITED

Khandelwal Edible Oil Limited (KEOL)**Rating
Rationale****February 25, 2014**

Facilities	Amount (Rs. Crore)	Rating
Cash Credit	12.00	SMERA BB/Stable (Assigned)

SMERA has assigned a rating of '**SMERA BB' (read as SMERA double B)** to the Rs.12.00 crore bank facilities of Khandelwal Edible Oil Limited (KEOL). The outlook is '**Stable**'. The rating is mainly constrained by the company's weak profitability and geographically concentrated operations amidst intense competition prevalent in the edible oil industry. The rating is further constrained by the susceptibility of the company's profit margins to volatility in prices of edible oil. However, the rating is supported by the company's experienced management, comfortable liquidity position, low leverage and healthy revenue growth.

KEOL, established in 1999, is a Bareilly-based company engaged in processing of edible oils. KEOL's net profit margin is low at 0.65 per cent in FY2012-13 (refers to financial year, April 01 to March 31). The company is exposed to geographical concentration risk as its operations are limited to Uttar Pradesh. KEOL faces intense competition from several players in the edible oil industry. The company's profit margins are susceptible to volatility in prices of edible oils.

KEOL benefits from its experienced management. Mr. Dileep Khandelwal and Mr. Priyank Khandelwal, promoters of KEOL, have around twenty years of experience in the edible oil industry. KEOL has a comfortable liquidity position marked by low average utilisation (56 per cent) of cash credit facility during December 2012 to November 2013. Further, the company's leverage is low at 1.00 times as on March 31, 2013. KEOL's revenues have increased at a healthy compound annual growth rate (CAGR) of 21 per cent during FY2008-09 to FY2012-13.

Outlook: Stable

SMERA believes KEOL's outlook will remain stable in the near term on the back of the company's long track record of operations and experienced management. The outlook may be revised to 'Negative' in case the company is unable to scale up its operations, or in case of deterioration in the company's profit margins and working capital management. Conversely, the outlook may be revised to 'Positive' in case the company scales up its operations while registering comfortable profit margins and achieving efficient working capital management.

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*Rating
Rationale*

About the company

KEOL, established in 1999, is a Bareilly-based company promoted by Mr. Dileep Khandelwal and Mr. Priyank Khandelwal. KEOL is engaged in processing of edible oils. The company has a processing facility in Bareilly, Uttar Pradesh.

For FY2011-12, KEOL reported PAT of Rs.1.54 crore on operating income of Rs.275.85 crore, as compared with PAT of Rs.1.05 crore on operating income of Rs.234.49 crore for FY2010-11. Further, the company reported PAT of Rs.2.02 crore on operating income of Rs.311.20 crore for FY2012-13. KEOL's net worth stood at Rs.13.38 crore as on March 31, 2013, as compared with Rs.11.36 crore a year earlier.

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