RATING RATIONALE

20 Nov 2020

Shree Kamtanath Oils Pvt. Ltd.

Brickwork Ratings reaffirms the rating for Bank Loan Facilities of ₹ 5.00 crs of the Shree Kamtanath Oils Pvt. Ltd.

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (August 2019)	Present
Fund based	5.29	5.00	Long Term	BWR B+ Stable	BWR B+ Stable Reaffirmed
Total	5.29	5.00	INR Five Crores Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
Details of bank facilities in Annexure-I

RATING ACTION/OUTLOOK :

BWR has reaffirmed the rating of the bank loan facilities of Rs 5.00 crs of Shree Kamtanath Oils Pvt. Ltd. ("SKOPL" or "The Company"). The rating has been reaffirmed based on the business experience of the promoters in the industry, and the moderate liquidity position. However, the rating is constrained on account of the modest scale of operations with thin margins due to volatility in raw material prices, and the modest financial risk profile of the company driven by high gearing levels. The company also faces stiff competition from other organised and unorganized players in the market limiting the pricing power.

BWR believes that SKOPL's business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

BWR has essentially relied upon the audited financial statements of SKOPL up to FY 20, projected financials for FY21, publicly available information and information/clarifications provided by the entity's management.

KEY RATING DRIVERS

Credit Strengths:

- **Promoters Experience:** The promoters of the company possess a combined experience of more than three decades in the industry. The promoters through their long standing presence have gained an understanding of the market dynamics and developed relationship with customers and suppliers

- **Moderate Liquidity**: The current ratio of the company has improved during FY20 to 1.34x. Further the overall conversion cycle of the company stood at 89 days.

Credit risks:

- **Modest Scale of Operations with thin margins**: The revenue of the company has declined during FY20 by ~ 50%, due to the drop in the revenue from oil division. The company has registered revenue of Rs. 28.21crs as against Rs 63.01crs during FY19. During the current year, the company has already registered ~Rs 25.00 crs of revenue till October 2020. The profit margins of the company has remained modest due to the volatility in the prices and high competition from other players in the market. OPM and NPM in the range of 2-3% and 0.25-0.30% over the past three years. Due to stiff competition in the industry and fragmented nature, the company's pricing power is limited.
- **Modest Financial risk profile:** The overall financial risk profile of the company is modest driven by a low net worth base of Rs 3.04crs (Rs 3.56 crs-A) during FY20 improving marginally over FY19 (Rs 2.97crs). Due to the low net worth, the overall gearing level of the company stood high at 1.92x (1.50x-A) during FY20 improving marginally over FY19 levels. The DSCR and ISCR stood at 1.26x and 1.12x, as of March 20.
- **Highly Fragmented and Competitive Industry:** The industry in which the company operates is highly fragmented. The company faces stiff competition from other players operating in the market.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA
For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

RATING SENSITIVITIES
The ability of the company to scale up its operations while maintaining adequate profitability and liquidity and improvement in the overall financial risk profile would be its key rating sensitivities.

Positive: The ratings may be upgraded in case the revenue, profitability and capital structure of the company shows significant improvement.
Negative: The rating may be downgraded in case there is a significant deterioration in the business revenue, working capital cycle and financial risk profile of the company.

LIQUIDITY POSITION

Stretched:
The liquidity profile of the company is stretched. The cash credit limits of the company are fully utilized.. The cash and cash equivalents stood at Rs 0.24crs as of March 20. The Net cash accruals stood at Rs 0.33crs as of March 20 and the company has no major term loan borrowings to be serviced.

COMPANY PROFILE
Shree Kamtanath Oils Pvt Ltd was incorporated on 15 April 2009 The company is engaged in manufacturing of edible mustard oil and cake from mustard seeds and also manufacturing of Guar Gum Splits from Guar Seeds. The manufacturing unit is based ast Morena (MP).

KEY FINANCIAL INDICATORS (in ₹ Cr)

Key Parameters	**Units**	**2020**	**2019**
Result Type		**Audited**	**Audited**
Operating Revenue	₹ Cr	28.21	63.01
EBITDA	₹ Cr	0.56	1.12
PAT	₹ Cr	0.09	0.17
Tangible Net worth	₹ Cr	3.04	2.96
Tangible Net worth (A)*	₹ Cr	3.56	3.20
Total Debt/Tangible Net worth	Times	1.92	2.02
Total Debt/Tangible Net worth (A)*	Times	1.50	1.79
Current Ratio	Times	1.34	1.23

*Adjusted for the USL

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: Nil

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY:
CRISIL has migrated the ratings of Shree Kamtanath Oils Pvt Ltd to Issuer Non- Cooperating category on account of non-availability of the requisite information to monitor its credit ratings.

RATING HISTORY FOR THE PREVIOUS THREE YEARS [including withdrawal and suspended]

Instrument /Facility	**Current Rating**			**Rating History**		
	Tenure	Amount (₹ Crs)	Rating	August 2019	2018	2017
Fund Based Cash Credit	Long Term	5.00	BWR B+ Stable Reaffirmed	BWR B+ Stable	Not Rated	Not Rated
Total		**5.00**	**INR Five crores only**			

Hyperlink/Reference to applicable Criteria

- General Criteria
- Approach to Financial Ratios
- Manufacturing Companies

For any other criteria obtain hyperlinks from website

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Shree Kamtanath Oils Pvt. Ltd.
Annexure I

Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
1	**UCO bank**	Cash Credit	5.00	-	5.00
	Total	**INR Five Crores only**			**5.00**

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