

Kushal Impex

April 12, 2021

Ratings

Facilities / Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Short Term Bank Facilities	12.00	CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category
Total Facilities	12.00 (Rs. Twelve Crore Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated February 17, 2020, placed the rating of Kushal Impex under the 'issuer non-cooperating' category as KI had failed to provide information for monitoring of the ratings. KI continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and a letter/email dated April 07, 2021, April 06, 2021, April 05, 2021. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above ratings.

Detailed description of the key rating drivers

At the time of last rating on February 17, 2020, the following were the rating strengths and weaknesses.

Key Rating Weaknesses

Foreign exchange fluctuation risk

The raw material procurement is done completely from the international market, thereby exposing the firm to risks associated with adverse fluctuations in the foreign currency. With cash outlay for sales in international currency & sales realization in domestic currency and in the absence of any hedging mechanism, the firm is exposed to the fluctuation in exchange rates.

High degree of competition resulting from fragmented nature of the edible oil industry

Low barriers to entry have resulted in highly fragmented nature of the edible oil industry. Furthermore, most of the players offer similar products with little difference which competes with each other resulting in lower margins for most of the players. Furthermore, despite having better health benefits and priced much less than any other edible oils, palm oil industry faces tough competition because of the presence of a number of close substitute products in market. Olive oil, copra, and rice bran oil are slotted as main substitute of palm oil and they have a variety of products under their category for which they poses serious threat to the profit margin of the players operating in palm oil segment.

Partnership nature of constitution

KIP's constitution as a partnership firm has the inherent risk of possibility of withdrawal of the partners' capital at the time of personal contingency and firm being dissolved upon the death/retirement/insolvency of partners. Moreover, partnership firms have restricted access to external borrowing as credit worthiness of partners would be the key factors affecting credit decision of the lenders.

Key Rating Strengths

Experienced partners

The firm is promoted by Mr. Kushal Mittal and Mrs. Sunita Mittal collectively. Mrs. Sunita Mittal has an industry experience of around a decade through her association with KIP and other companies (Ganpati Township Limited) while Mr. Kushal Mittal has an industry experience of two years through his association with KIP and

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications

*Issuer did not cooperate; Based on best available information

other group concern (Mittal enterprises). However, partners are supported by experienced staff to manage day to day operations.

Stable demand outlook for edible oil industry

The long-term outlook of edible oil demand in India is favorable on expectation of increasing population, increase in per capita consumption which in turn would be driven by changing lifestyles, growing urbanization, increasing proportion of middle-class population and steadily arising affluence levels. The near-term outlook for the edible oil companies is expected to be stable edible oil domestic demand.

Analytical Approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Financial ratios – Non-Financial Sector](#)

[Liquidity analysis of Non-financial sector entities](#)

[CARE's methodology for manufacturing companies](#)

[Criteria for short term instruments](#)

About the firm

Kushal Impex (KIP) was established as a partnership firm in in March 2016 by Mr. Kushal Mittal and Mrs. Sunita Mittal as its partners. The commercial operations of the firm started in November 2016 with trading of crude palm oil. MEP is engaged in trading of crude palm oil and Degummed Soybean oil at its facility located in Bathinda, Punjab. Besides KIP, one of the partners is also engaged in managing another group concerns namely Mittal Enterprises.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	14.79	39.90
PBILDT	0.31	0.33
PAT	0.26	0.29
Overall gearing (times)	0.92	5.02
Interest coverage (times)	6.37	7.42

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Non-fund-based - ST-ILC/FLC	-	-	-	12.00	CARE A4; ISSUER NOT COOPERATING*

*Issuer did not cooperate; Based on best available information

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1.	Non-fund-based - ST-ILC/FLC	ST	12.00	CARE A4; ISSUER NOT COOPERATING *	-	-	1)CARE A4; ISSUER NOT COOPERATING * (17-Feb-20)	1)CARE A4 (06-Feb-19)

Issuer did not cooperate; Based on best available information

Annexure-3: Detailed explanation of covenants of the rated facilities: Not Applicable

Annexure 4: Complexity level of various instruments rated for this Company

Sr. No.	Name of the Instrument	Complexity Level
1.	Non-fund-based - ST-ILC/FLC	Simple

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

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