

M K Proteins

February 19, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	12.25	CARE BB-; Stable	Assigned
Long Term / Short Term Bank Facilities	25.00	CARE BB-; Stable / CARE A4	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to the bank facilities of M K Proteins (MKP) remains constrained on the account of nascent stage of operations with moderate profitability as well as stretched liquidity during 5MFY23 (Audited, refers to period from 01 November to 31 March). The rating further remained constrained on account of MKP's presence in competitive and fragmented nature of industry with susceptibility of profit margins to fluctuations in raw material prices being in agro-based industry and partnership nature of constitution.

The rating however derives strength from experienced management as well as location advantage of manufacturing unit with close proximity to raw material sources to ease access to raw materials.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Reporting of envisaged scale of operations marked by Total Operating Income (TOI) of Rs.110 crore or more with PBILDT margin above 3.50%
- Improvement in capital structure marked by an overall gearing of below 2 times on sustained basis

Negative factors

- Decline in TOI by 20% or more with cash losses on sustained basis
- Any further debt funded capex leading to deterioration in capital structure.

Analytical approach: Standalone

Outlook: Stable

Stable outlook reflects that the entity is expected to be benefitted from the extensive experience of the promoters along with location advantage.

Detailed description of the key rating drivers:

Key weaknesses

Nascent stage of operations

MKP has acquired existing groundnut oil manufacturing plant of Fuletra Agro Foods located at Kherva, Wankaner, Morbi in April 2022 while the commercial operations commenced from November, 2022 as envisaged. The scale of operations marked by TOI remained moderate at Rs.96.87 crore for its five months of operations in FY23 with PBILDT margin of 3.49% and PAT margin of 0.29% during the same period. The capital structure and debt coverage indicators stood moderate with an overall gearing ratio of 2.47x and interest coverage ratio of 1.76x in FY23.

Presence in a competitive and fragmented industry

India is one of the major groundnuts producing countries and also among the leading countries exporting groundnut-related products. The groundnut business in India is characterized by a high degree of competition, resulting from high fragmentation due to the low entry barriers and low capital intensity of the business.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Profit margins vulnerable to agro-based raw material price fluctuations

Groundnut seeds are the sole raw material used by MKP. Being agriculture-based input; the operations of MKP are vulnerable to its inherent risks associated with agri-based inputs prices. Further, the prices of raw materials are linked to agricultural output, which in turn, is exposed to factors such as vagaries of the monsoon, acreage, yield level and global demand-supply mismatches. Also, the prices of groundnuts are determined on the basis of demand and supply of groundnut seeds, which in turn depends upon rainfall and area under cultivation, and thus remain volatile. Further, prices also reflect the Minimum Support Price (MSP) and other incentives offered by Government of India (GOI), international demand-supply gap and weather conditions in major groundnut growing nations; and hence remain volatile. This makes the prices of these raw materials volatile which in turn could adversely impact MKP's margins.

Partnership nature of constitution

MKP's constitution as a partnership firm restricts its overall financial flexibility in terms of limited access to external fund and ability to absorb losses or financial exigencies. Furthermore, there is an inherent risk of possibility of withdrawal of capital.

Key strengths

Experienced management

MKP is promoted by family members of Keshariya and Mashru family, the promoters hold experience of around three decades in agro processing field through their association with other firms. The operation and management of MKP is being taken care by all the partners other than Ms. Rekhaben Keshariya, being an inactive partner. One of the partners- Mr. Alpesh Keshariya, looks after purchase department while Mr. Ashwin Keshariya and Mr. Dayalal Keshariya are handling production department. The marketing department is being looked after by Mr. Rajendra Mashru while Mr. Sureshchandra Mashru is handling finance work.

Strategic location of manufacturing units with close proximity to raw material sources

The manufacturing facilities of MKP is in Morbi, Saurashtra in Gujarat. Since Gujarat is one of the largest producers of groundnut in India, it helps MKP to easily procure groundnut from farmers and wholesalers in surrounding locality and offers MKP locational advantage in terms of lower logistics expenditure (both on the transportation and storage) along with ready availability of raw materials.

Liquidity: Stretched

The liquidity position of the entity remained stretched marked by higher working capital utilization of around 95% for the past twelve months ended December 31, 2023. Cash and bank balance remained healthy at 5.05 crore as on March 31, 2023. Current and quick ratio remained at 1.30x and 0.82x respectively as on March 31, 2023. Further, gross cash accruals remained at Rs.1.45 crore as against nil term debt repayment obligations in FY24.

Applicable criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

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

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Manufacturing Companies](#)

About the company and industry

Rajkot (Gujarat) based M K Proteins (MKP) is a partnership firm formed in April, 2022. MKP is promoted by family members of Keshariya and Mashru family viz. Alpesh Keshariya, Dayalal Keshariya, Ashwin Keshariya, Rajendra Mashru and Sureshchandra Mashru. The entity is engaged into processing and manufacturing of groundnut refined oil, groundnut oil cake and ground nut seeds. The commercial operations commenced from November 2022 post acquisition of existing groundnut oil manufacturing plant of Fuletra Agro Foods located at Kherva near Wankaner, Morbi- Gujarat. The plant is having installed capacity of 50 Metric Ton Per Day (MTPD) for groundnut seeds and 20 MTPD for groundnut oil manufacturing.

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Fast Moving Consumer Goods	Fast Moving Consumer Goods	Agricultural Food & other Products	Edible Oil

Brief Financials (₹ crore)	March 31, 2023 (A)	8MFY24 (Prov.)
Total operating income	96.87	55.80
PBILDT	3.38	2.15
PAT	0.28	NA
Overall gearing (times)	2.47	NA
Interest coverage (times)	1.76	2.79

A: Audited, Prov.: Provisional, NA: Not Available. Note: 'the above results are latest financial results available', Operations commenced from November 2022.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Proposed fund based limits		-	-	-	12.25	CARE BB-; Stable
Fund-based - LT/ ST-Cash Credit		-	-	-	25.00	CARE BB-; Stable / CARE A4

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021
1	Fund-based - LT/ST-Cash Credit	LT/ST*	25.00	CARE BB-; Stable / CARE A4				
2	Fund-based - LT-Proposed fund based limits	LT	12.25	CARE BB-; Stable				

*Long term/Short term.

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities- Not Applicable
Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Proposed fund based limits	Simple
2	Fund-based - LT/ ST-Cash Credit	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

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