Kanpur Edibles Private Limited

December 31, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	98.21	CARE BB+ (RWD); ISSUER NOT COOPERATING*	Downgraded from CARE BBB+; Continues to be on Rating Watch with Developing Implications and moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	830.00	CARE A4+ (RWD); ISSUER NOT COOPERATING*	Downgraded from CARE A3+; Continues to be on Rating Watch with Developing Implications and moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.
*Issuer did not cooperate; based on best available information.

Rationale and key rating drivers

CARE Ratings Ltd. has been seeking information from Kanpur Edibles Private Limited (KEPL) to monitor the rating(s) vide e-mail communications dated November 06, 2024, December 13, 2024, among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Limited (CARE Ratings) has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. Further, KEPL has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The rating on KEPL's bank facilities will now be denoted as **CARE BB+ (RWD)/CARE A4+ (RWD); ISSUER NOT COOPERATING***.

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

The ratings have been revised on account of insufficient information to conduct a detailed review of the ratings. Additionally, the ratings assigned to the bank facilities of KEPL continues to be on rating watch with developing implications in view of the income tax search operation being conducted at various premises of the group during October 2023. The rating watch has continued as CARE Ratings await further developments and clarity to emerge in this matter in order to accurately evaluate the potential repercussions of the aforementioned income tax search on the credit profile of the company.

The revision in ratings also factors in delay in statutory filing of audited financials with Registrar of Companies (ROC), weak operational performance marked by moderation in scale of operations during H1FY24 (refers to April 01 to September 30) coupled with significant dip in profitability margins on account of reduction in global edible oil prices which has adversely impacted all domestic edible oil players, along with elevated net debt level leading to impact on the debt coverage indicators. The ratings are also constrained on account of susceptibility of margins to the volatility in the raw material prices and foreign exchange fluctuation risk, competitive industry landscape and regulatory risks associated with edible oil industry. However, the ratings derive strength from well diversified product profile and reputed clientele, comfortable debt coverage indicators albeit moderate capital structure, and experienced management. The ratings also factor in backward and forward integrated operations, established brand presence and increasing contribution of value-added products.

Analytical approach: Standalone

Outlook: Not Applicable

Detailed description of key rating drivers:

At the time of last rating on December 26, 2023, the following were the rating strengths and weaknesses.

Key weaknesses

Moderation in scale of operations

Company has registered healthy growth in the scale of operations over the last five fiscals ending FY23 (refers to April 01 to March 31) at a compounded annual growth rate (CAGR) of 13.49% driven by growth in institutional sales and retail sales. The total operating income of the company has grown by approximately 4% in FY23 over previous year and stood at Rs. 6,496.54 Cr

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

owing to improvement in sales volume coupled with higher sales from new segments. However, the company sustained relatively lower operating profit margin which stood at 3.36% in FY23 compared to 3.84% in the previous year along with PAT (Profit after tax) margin of 2.12% in FY23 (PY: 2.54%) attributable to the fall in global edible oil prices. Furthermore, the lower margins can also be attributed to trading activity contributing significantly to total revenue (~18% of total revenue in FY23) which inherently has lower profitability margins.

H1FY24: During H1FY24, the company recorded a turnover of Rs 2,365.51 Cr, a decrease by 34% from Rs 3,583.48 crore in H1FY23 primarily due to moderation in the edible oil prices leading to lower realization. This decline was largely influenced by the Ministry of Consumer Affairs, Food & Public Distribution's directive dated May 04, 2023, urging a reduction in the Maximum Retail Price (MRP) of each edible oil to align with the international decline in edible oil prices. This directive put pressure on manufacturers holding high-cost inventory.
Consequently, inventory losses along with lower realisation resulted in the company's PBILDT (Profit before interest, lease rentals, depreciation, and tax) margin dropping to 0.78% during the first half of current fiscal.

Susceptibility of margins to volatile raw material price fluctuations and foreign exchange volatility risk
Being an agricultural commodity, raw material prices to a certain extent are affected by various factors like monsoon during the year, area under cultivation, global pricing scenario (linked to global demand supply) and government policies leading to volatility in the same. Accordingly, KEPL enters into forward sale contract in the commodity exchange, immediately on entering into raw material procurement contract, in order to mitigate the aforementioned price volatility risk.
Majority of the company's raw material requirement are met through imports, whereas majority of its sales are domestic. During FY23, the company had total imports of Rs.4,171.76 Cr comprising 74.38% of total purchases as against Rs 4,540.61 Cr (75.67% of total purchases) in FY22. The same is mitigated through high level of institutional sales wherein sale price is fixed considering markup over raw material cost and processing cost. Thus, the exposure of company is indirectly hedged to the extent of sale to such customers. Also, forex risk is partially mitigated by taking back-to-back sale contracts with customers.

Competitive industry landscape
The edible oil industry is highly competitive with presence of both large national players and multiple regional players. Along with logistics and supply chain capability, the large integrated players have a sizeable oil processing and packaging scale with wide distribution network. Thus, profitability is inherently low and is further exposed to movement in prices of raw material, finished goods and other substitute. However, with increase in brand awareness, health consciousness and penetration of organized retail, the size of the branded edible oil industry is likely to increase which bodes well for branded refined oil players.

Regulatory risk associated with edible oil industry
The price of palm oil imported by India from the largest exporters of the commodity in the world, i.e., Indonesia and Malaysia, are affected by the frequent duty structure changes done by the respective governments to protect their domestic industries. The price differential for carrying out refining operations in India depend upon the difference in duty between the export duty levied by the exporters on crude palm oil and refined palm oil and the import duty on the same by India. The duty differential should be large enough to absorb the variable costs of carrying out refining operations. Accordingly, KEPL is exposed to adverse changes in regulatory and import/export duty structures based on actions of various government institutions.

Key strengths

Long track record of operations with an experienced management team and resourceful promoter
The company is a part of Mayur group of Uttar Pradesh and is engaged in manufacturing, refining, and trading of edible oils for more than three decades which has helped the company in establishing long-standing business relationships with its customers and getting regular orders from them. The company is managed by Mr. Manoj Kumar Gupta and Mr. Sunil Kumar Gupta, who have more than two decades of experience in the similar line of business and the same has helped the company in maintaining efficient risk management policies. The promoters have extended continuous financial support over the years to fund the business requirements of the company in the form of unsecured loans and inter-corporate deposits. The company sells its products under the brand name "Mayur" and has established presence in the Northern region of the country.

Comfortable debt coverage indicators albeit moderate capital structure
The capital structure of the company is moderate with an overall gearing (incl. acceptances) of 1.12x as on March 31, 2023 (PY: 1.19x). Correspondingly, TOL/TNW (Total outstanding liabilities/ tangible net worth) also stood moderate at 1.57x (PY: 3.32x). The company primarily relies on its non-fund-based limits along with fund based working capital limits to meet its working capital requirements. The net debt profile comprises of Cash Credit (CC), term loans and Letter of Credit backed acceptances net of

investment in fixed deposits, which has increased substantially from Rs 231.33 crore to Rs 530.39 crore in FY23. Unsecured loans and inter-corporate deposits have been considered as quasi equity as these are subordinated to borrowings of the company. Debt coverage indicators had a significant dip in H1FY24 marked by interest coverage ratio of 3.00x as against 12.42x during FY23.

Diversified product profile and reputed clientele
KEPL has backward integrated and forward integrated operations leading to a well-diversified product portfolio consisting of various types of edible oils, such as palm oil, mustard oil, sunflower oil, and soybean oil, along with other products such as soya bari, cattle feed and soap & detergents. Further, the company derives majority of its revenue from institutional sales (~42% of total revenue in FY23) wherein the company sells its finished products to top biscuit manufacturing companies.

Applicable criteria

Definition of Default
Policy in respect of non-cooperation by issuers
Rating Outlook and Rating Watch
Manufacturing Companies
Financial Ratios – Non financial Sector
Short Term Instruments

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Fast Moving Consumer Goods	Fast Moving Consumer Goods	Agricultural Food & other Products	Edible Oil

Kanpur Edibles Private Limited was incorporated in the year 1990 and is the flagship company of Mayur Group, based in Kanpur, Uttar Pradesh. Currently the company is managed by Mr. Manoj Kumar Gupta, and Mr. Sunil Kumar Gupta. KEPL is engaged in the manufacturing, refining, and trading of edible oils having a refining capacity of 3,02,000 MTPA as on March 31, 2023. The company also extracts raw soyabean and mustard oil through its solvent extraction plant having an installed capacity of 2,94,000 MTPA and the by-products so formed are used to produce Soya Bari. Further, the company also has its presence across other segments such as vanaspati, cattle feed and soap & detergents. The company sells its products under the brand name "Mayur" and "Cook & Fry".

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	6,496.54	NA
PBILDT	218.39	NA
PAT	138.01	NA
Overall gearing (times)	0.82	NA
Interest coverage (times)	12.42	NA

A: Audited UA: Unaudited; NA: Not Available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Brickwork has conducted the review on the basis of best available information and has classified Kanpur Edibles Private Limited as "Not cooperative" vide its press release date May 23, 2024, due to unavailability of sufficient information.

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of 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 and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	60.00	CARE BB+ (RWD); ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan		-	-	2024	38.21	CARE BB+ (RWD); ISSUER NOT COOPERATING*
Non-fund-based - ST-Forward Contract		-	-	-	30.00	CARE A4+ (RWD); ISSUER NOT COOPERATING*
Non-fund-based - ST-Letter of credit		-	-	-	800.00	CARE A4+ (RWD); ISSUER NOT COOPERATING*

*Issuer did not cooperate; based on best available information.

Annexure-2: Rating history for 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 2024-2025	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
1	Fund-based - LT-Term Loan	LT	38.21	CARE BB+ (RWD); ISSUER NOT COOPERATING*	-	1)CARE BBB+ (RWD) (26-Dec-23) 2)CARE A- (RWD) (23-Oct-23)	1)CARE A-; Positive (28-Dec-22)	-
2	Fund-based - LT-Cash Credit	LT	60.00	CARE BB+ (RWD); ISSUER NOT COOPERATING*	-	1)CARE BBB+ (RWD) (26-Dec-23)	1)CARE A-; Positive (28-Dec-22)	-

						2)CARE A- (RWD) (23-Oct-23)		
3	Non-fund-based - ST-Forward Contract	ST	30.00	CARE A4+ (RWD); ISSUER NOT COOPERATING*	-	1)CARE A3+ (RWD) (26-Dec-23) 2)CARE A2 (RWD) (23-Oct-23)	1)CARE A2 (28-Dec-22)	-
4	Non-fund-based - ST-Letter of credit	ST	800.00	CARE A4+ (RWD); ISSUER NOT COOPERATING*	-	1)CARE A3+ (RWD) (26-Dec-23) 2)CARE A2 (RWD) (23-Oct-23)	1)CARE A2 (28-Dec-22)	-

*Issuer did not cooperate; based on best available information.
LT: Long term; ST: Short term;

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

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - ST-Forward Contract	Simple
4	Non-fund-based - ST-Letter of credit	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

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

Contact us

Media Contact	Analytical Contacts
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in **Relationship Contact** Saikat Roy Senior Director **CARE Ratings Limited** Phone: 912267543404 E-mail: saikat.roy@careedge.in	Puneet Kansal Director **CARE Ratings Limited** Phone: 120-4452018 E-mail: puneet.kansal@careedge.in Sachin Mathur Associate Director **CARE Ratings Limited** Phone: 91-120-4452054 E-mail: sachin.mathur@careedge.in Rohit Bhatia Analyst **CARE Ratings Limited** E-mail: Rohit.Bhatia@careedge.in

About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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