

Kotak Agro Processing Private Limited

November 28, 2022

Rating

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	5.78	CARE BB+; Stable (Double B Plus; Outlook: Stable)	Revised from CARE BB; Positive (Double B; Outlook: Positive)
Total Bank Facilities	5.78 (₹ Five Crore and Seventy-Eight Lakhs Only)		

Details of instruments/facilities in Annexure-1.

Detailed rationale and key rating drivers

The revision in rating assigned to the bank facilities of Kotak Agro Processing Private Limited (KAPL) factors in the improvement in scale of operations and cash accruals during FY22 on account of increase in volumes handled along with uptrend in freight rate.

The ratings assigned continue to derive strength from KAPL's experienced and professionally qualified promoters and management, comfortable operating cycle along with adequate liquidity position. The ratings, however, continue, to be constrained by moderately lower and fluctuating profit margin and presence in the highly fragmented industry leading to stiff competition.

Rating sensitivities

Positive factors – Factors that could lead to positive rating action/upgrade:

- Increase in scale of operations with total operating income exceeding Rs.250 crore with tangible network base exceeding Rs.25 crore on a sustained basis
- Improvement in the PBILDT margin exceeding 8% on a sustained basis

Negative factors – Factors that could lead to negative rating action/downgrade:

- Deterioration in the debt coverage indicators with interest coverage reaching below 3 times and total debt to gross cash accruals exceeding 5 times on a sustained basis
- Deterioration in the collection period exceeding 90 days with utilization of the working limit exceeding 90% on a sustained basis

Outlook: Stable

Detailed description of the key rating drivers

Key rating strengths

Long-track record of operations with experienced promoters:

KAPL was established in the year 1997 by Kotak family. KAPL is currently promoted by, Mr. Bhagwandas Kotak, Mr. Chetan Kotak and Mr. Kailash Kotak having an average experience of more than three decades in carrying out the business related to processing, storage, transportation and other logistics services.

Consistent improvement in scale of operations

The total operating income of KAPL improved by 97% in FY22 over FY21 and stood at Rs.170.65 crore as against Rs.86.47 crore in FY21 on account of increase in both volume handled due to increase in the demand from export clients coupled with value, due to increasing freight rates. Further, KAPL reported revenue of Rs.128.30 crore in H1FY23.

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

Improved gearing and coverage indicators

The capital structure of KAPL improved with the overall gearing reaching to 0.19x as on March 31, 2022 vis-a-vis 0.53 times as on March 31, 2021 owing to repayment of loans coupled with increase in the tangible net-worth base. Total debt/GCA of the company improved from 1.16x as on March 31, 2021 to 0.36x as on March 31, 2022. Improvement in Total debt/GCA was mainly on account moderate debt level and improved GCA.

PBILDT interest coverage ratio of the company improved to 24.82x in FY22 (PY: 8.75), on account of improvement in PBILDT.

Comfortable operating cycle

KAPL's operating cycle stood comfortable where majorly funds are blocked in receivable. Due to inherent nature of its operations, the company has to make upfront payment for the services it avails (material handling, fuel, tyre, and such other charges), however it, has to provide maximum credit period of around 30-60 days due intense competition in the low barrier industry.

Key rating weaknesses**Moderately lower and fluctuating profit margin**

The PBILDT margin of KAPL remained low and fluctuating due to the nature of business. The PBILDT margins remained at 6.36% during FY22 as compared to 6.89% in FY21. PAT margin has however improved and stood at 3.65% in FY22 as against 2.58% in FY21. The Gross Cash Accruals of the company has increased to Rs.8.13 crore in FY22 vis-à-vis Rs.4.38 crore in FY21.

Highly competition and fragmented industry:

KAPL business risk profile is constrained on account of exposed to competition from other regional players operating in freight forwarding and warehousing industry. KAPL is operating in such an industry which is fragmented in nature and has limited entry and exit barrier. This leads to limited bargaining power with customers.

Liquidity: Adequate

The liquidity position remained adequate characterized by sufficient cushion in accruals vis-à-vis repayment obligations and moderate cash and cash equivalent of Rs.4.30 crore as on March 31, 2022 along with a lean operating cycle, since the company majorly relies upon internal accruals and fixed deposits backed OD limit to fund the working capital requirements, thereby leading to low reliance on fund-based facilities. On the other hand, the average maximum utilization of working capital limit remained at around 56% during past 12 months ended October, 2022.

Analytical approach: Standalone**Applicable criteria**

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

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

[Rating Outlook and Credit Watch](#)

[Service Sector Companies](#)

About the company

Kotak Agro Processing Pvt. Ltd. (KAPL) is promoted by Mr. Bhagwandas R. Kotak, Mr. Chetan R. Kotak and Mr. Kailash B. Kotak for carrying out the business related to logistics of agriculture related products, primarily storage and transportation of onions, fruits, vegetables and other perishable commodities including grading, packing and providing warehousing facilities, mechanized bulk stuffing and transporting via containers and reefers. KAPL mainly provides warehousing facility at major gateways ports ie Nhava sheva, Mundra, Kandla and Mahape. KAPL mainly caters exporters for freight business and for warehousing business wholesalers and retailers based out of PAN India.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	H1FY23 (UA)
Total operating income	86.47	170.65	128.30
PBILDT	5.96	10.86	7.96
PAT	2.23	6.23	NA
Overall gearing (times)	0.53	0.19	NA
Interest coverage (times)	8.75	24.82	NA

A: Audited; UA: Unaudited; NA: Not available

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

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

Complexity level of various instruments rated for this company: Annexure-4

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-Bank Overdraft		-	-	-	2.92	CARE BB+; Stable
Fund-based - LT-Bank Overdraft		-	-	-	2.30	CARE BB+; Stable
Fund-based - LT-Bank Overdraft		-	-	-	0.56	CARE BB+; Stable

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 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Bank Overdraft	LT	2.92	CARE BB+; Stable	-	1)CARE BB; Positive (18-Oct-21)	1)CARE BB-; Positive (17-Aug-20)	1)CARE BB-; Stable (20-Nov-19)
2	Fund-based - LT-Bank Overdraft	LT	2.30	CARE BB+; Stable	-	1)CARE BB; Positive (18-Oct-21)	1)CARE BB-; Positive (17-Aug-20)	1)CARE BB-; Stable (20-Nov-19)
3	Fund-based - LT-Bank Overdraft	LT	0.56	CARE BB+; Stable	-	1)CARE BB; Positive (18-Oct-21)	1)CARE BB-; Positive (17-Aug-20)	1)CARE BB-; Stable (20-Nov-19)

*Long term/Short term.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities: NA

Annexure-4: Complexity level of various instruments rated for this company

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - LT-Bank Overdraft	Simple

Annexure-5: Bank lender details for this company

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

Note on 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

Media contact

Name: Mradul Mishra
Phone: +91-22-6754 3596
E-mail: mradul.mishra@careedge.in

Analyst contact

Name: Arunava Paul
Phone: +91-9820904584
E-mail: arunava.paul@careedge.in

Relationship contact

Name: Saikat Roy
Contact no. -022-67543404/136
E-mail: saikat.roy@careedge.in

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