



## Press Release

### Kotak Petroleum LLP

June 11, 2024

#### Ratings

| Instrument / Facility      | Amount (Rs. crore)                             | Current Ratings  | Previous Rating   | Rating Action | <a href="#">Complexity Indicator</a> |
|----------------------------|--|--|---|---------------|--------------------------------------|
| Long Term Bank Facilities  | 23.00  | IVR BBB+/Stable (IVR Triple B Plus with Stable Outlook)              | IVR BBB+/Stable (IVR Triple B Plus with Stable Outlook) | Reaffirmed    | Simple                               |
| Long Term Bank Facilities  | 41.70  | IVR BBB+/Stable (IVR Triple B Plus with Stable Outlook)              | -   | Assigned      | Simple                               |
| Short Term Bank Facilities | 60.00 (Reduced from Rs. 70.00 crore)           | IVR A2 (IVR A Two)   | IVR A2 (IVR A Two)                                      | Reaffirmed    | Simple                               |
| <b>Total</b>               | <b>124.70 (Enhanced from Rs. 93.00 crores)</b> | <b>[Rupees One Hundred twenty-four crore and seventy lakhs only]</b> |   |               |                                      |

#### Details of Facilities are in Annexure 1

#### Detailed Rationale

Infomerics Ratings and Valuation Private Limited (IVR) has reaffirmed the long-term rating of IVR BBB+ with a Stable outlook and short-term ratings of IVR A2 for the bank loan facilities of Kotak Petroleum LLP (KPLLP). IVR has also assigned rating of IVR BBB+ with stable outlook for the long-term enhanced bank facilities of KPLLP.

The ratings continue to draw comfort from experienced promoters, comfortable capital structure along with healthy debt protection metrics and increasing scale of operations albeit thin profitability. However, these rating strengths are partially offset by working capital-intensive nature of operations, susceptibility of operations to regulatory changes both in India and overseas along with forex risk and risk related to capital withdrawals.



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The 'Stable' outlook indicates a low likelihood of rating change over the medium term.

IVR has principally relied on the audited financial results of the company up to March 31, 2023, and projected financials for FY2024 (refers to period April 1st, 2023, to Mar 31, 2024)-FY2026 (refers to period April 1st, 2025, to Mar 31, 2026), and publicly available information/ clarifications provided by the company's management.

### **Key Rating Sensitivities:**

#### **Upward Factors**

- Growth in scale of operation with improvement in profit margins leading to improvement in cash accruals and liquidity position on a sustained basis
- Improvement in the capital structure and debt protection metrics along with working capital cycle

#### **Downward Factors**

- Deterioration in scale of operation and/or deterioration in profitability impacting the debt protection metrics on a sustained basis.
- Deterioration in the capital structure and elongation in the operating cycle impacting the liquidity and any adverse regulatory changes

### **List of Key Rating Drivers with Detailed Description**

#### **Key Rating Strengths**

##### **Experienced promoters' group**

The firm was established by Mr. K.M Kotak who has over 50 years of experience in trading operations of petroleum and petrochemical products. Long-standing presence of the partners in the industry has helped the company to establish healthy relationship with its customers and suppliers and attain repetitive orders from its customers.

##### **Increasing scale of operations albeit thin profitability**

The scale of operations has reflected growing trend till FY22 (refers to period April 1st, 2021, to Mar 31, 2022), the total operating income of the firm has declined marginally



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8.13% to Rs. 987.77 crore in FY23(refers to period April 1st, 2022, to Mar 31, 2023) (Audited) compared to Rs. 1075.24 crore in FY22 on account of decline in sales volume of its key products. Although the firm has recorded increase in TOI in FY24 by 13.80% at Rs. 1124.12 crore on account of increase in sales volume. The firm has reported operating profit of Rs. 33.27 crore in FY23 (Audited) improved from Rs. 28.06 crore in FY22. Despite decline in scale of operations, the EBIDTA margin improved by 76 bps and stood at 3.37% in FY23 compared to 2.61% in FY22 on account of higher margin earned on traded goods. The firm has reported PAT of Rs. 15.11 crore in FY23 (Audited) compared to Rs. 12.48 crore in FY22. With improvement in EBITDA margin, the PAT margin of the firm has also improved by 37 bps and stood thin at 1.52% in FY23 (Audited). Gross Cash accruals have also improved to Rs. 16.76 crore in FY23(Audited) compared to Rs. 14.26 crore in FY22.

### **Comfortable capital structure along with healthy debt protection metrics**

The capital structure of the firm stood comfortable marked by overall gearing at 0.48x as on March 31, 2023, improved from 0.75x as on March 31, 2022, mainly due to accretion of profits to partner's capital account along with schedule repayment of term loan and lower utilization of working capital bank borrowings as on balance sheet date. Further, total indebtedness of the firm as reflected by TOL/TNW also improved and stood comfortable at 0.80x as on March 31, 2023, as compared to 1.01x as on March 31, 2022, on account of improvement in TNW. The debt protection metrics of the company stood healthy marked by comfortable Interest coverage ratio at 8.69 times in FY23 improved from 7.17 times in FY22 on account of increase in profitability. The DSCR of the firm has also improved to 2.45x in FY23 from 1.82x in FY22. Total debt to GCA stood at 2.87x as on 31 March 2023 improved from 4.62x as on March 31, 2022, on account of decline in debt along with improvement in GCA.

### **Key Rating Weaknesses**

**Working capital intensive nature of operations**



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The operation of the company is working capital intensive due to its elongated collection period. The Working Capital Cycle of the firm has stood at 44 days in FY23 compared to 42 days in FY22 on account of increase in inventory period.

### **Susceptible to regulatory changes both in India and overseas along with forex risk**

Crude oil is an important commodity traded in the international market, and trading in petroleum products is highly influenced by several Government policies and regulations, which changes from time to time. The prices of bitumen are linked to prices of crude oil which is prone to volatility thus exerting pressure on the margins in case of unfavourable trends in raw material prices along with forex fluctuation risk. Moreover, the firm does not have any long-term contracts with raw material suppliers to hedge against the volatility in raw material prices.

### **Exposed to risk of capital withdrawals.**

Kotak Petroleum LLP is a limited liability partnership firm and any significant withdrawals from the capital account by partners could impact its net worth and hence, the capital structure. During FY23, the net capital withdrawn amount stood at Rs. 11.24 crore.

**Analytical Approach:** Standalone

### **Applicable Criteria:**

[Rating Methodology for Trading Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\).](#)

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)

**Liquidity – Adequate**



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The firm's liquidity is comfortable marked by 50.36% average utilisation of fund-based limits during the past 12 months ended March 2023. Further, the firm expects sufficient cushion in cash accruals against its debt repayments for the next 3 years. The firm is expecting GCA in the range of Rs. 13.46- Rs.16.43 crore as against the repayment obligation in the range of Rs. 4.34 – Rs. 3.80 crore during FY24-27. The firm has a Current Ratio of 2.31x as on March 31, 2023, compared to 2.09x as on March 31, 2022. The Unencumbered cash and bank balance of firm stands at Rs.5.54 Crores and Rs. 14.47 crore as on March 31, 2023, and March 31, 2024, respectively. The Working Capital Cycle of the firm improved to 44 days in FY23 from 42 days in FY22.

### **About the Company**

Kotak Petroleum LLP was established on 22 Aug 2016 by the members of the Kotak family as a limited liability partnership firm. The main objective of the LLP was to engage in trading of petroleum products. The LLP belongs to the Kotak family.

The flagship company of the group is Kotak Petro Chem Pvt Ltd., which is into the same line of activity and was incorporated in 1999 with its corporate office in Jamnagar. Kotak Petroleum LLP is engaged into trading of petroleum products. The firm majorly deals in Furnace Oil, Bitumen, Sulphur and PET coke with various quantity, quality and counts. The firm has also started import & export of Bitumen from FY18.

### **Financials (Standalone):**

**(Rs. Crore)**

| For the year ended* / as on | 31-03-2022 | 31-03-2023 |
|-----------------------------|------------|------------|
|                             | Audited    | Audited    |
| Total Operating Income      | 1075.24    | 987.77     |
| EBITDA                      | 28.06      | 33.27      |
| PAT                         | 12.48      | 15.11      |
| Total Debt                  | 65.95      | 48.07      |
| Tangible Net Worth          | 87.96      | 99.79      |
| <b>Ratios</b>               |            |            |
| EBITDA Margin (%)           | 2.61       | 3.37       |
| PAT Margin (%)              | 1.16       | 1.52       |
| Overall Gearing Ratio (x)   | 0.75       | 0.48       |





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*\*Classification as per Infomerics` standards*

**Status of non-cooperation with previous CRA:** Vide press release dated March 06, 2024, Brickwork Ratings have kept the ratings under non-cooperation category on account of non-submission of relevant information.

**Any other information:** Not Applicable

**Rating History for last three years:**

| Sr. No. | Name of Instrument/Facilities    | Current Ratings (Year 2024-25) |                                |                 | Rating History for the past 3 years                       |   |  |
|---------|----------------------------------|--------------------------------|--------------------------------|-----------------|---|---|--|
|         |                                  | Type                           | Amount outstanding (Rs. Crore) | Rating          | Date(s) & Rating(s) assigned in 2023-24. (April 17, 2023) | Date(s) & Rating(s) assigned in 2022-23 | Date(s) & Rating(s) assigned in 2021-22 (Jan 19, 2022) |
| 1.      | Long Term Fund Based Facilities  | Long Term                      | 64.70                          | IVR BBB+/Stable | IVR BBB+/Stable   | -                                       | IVR BBB+/Stable  |
| 2.      | Short Term Fund Based Facilities | Short Term                     | 60.00                          | IVR A2          | IVR A2  | -                                       | IVR A2   |

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**About Infomerics:**

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.



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Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit [www.infomerics.com](http://www.infomerics.com).

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### Annexure 1: Details of Facilities

| Name of Facility | Date of Issuance | Coupon Rate/ IRR | Maturity Date | Size of Facility (Rs. Crore) | Rating Assigned/ Outlook |
|------------------|------------------|------------------|---------------|------------------------------|--------------------------|
| GECL             | -                | -                | Feb, 2026     | 4.70                         | IVR BBB+/Stable          |
| Cash Credit      | -                | -                | -             | 60.00                        | IVR BBB+/Stable          |
| Letter of Credit | -                | -                | -             | 15.00                        | IVR A2                   |
| Bank Guarantee   | -                | -                | -             | 5.00                         | IVR A2                   |
| IBP              | -                | -                | -             | 40.00                        | IVR A2                   |

**Annexure 2: List of companies considered for consolidated analysis: None.**

### Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-Kotak-Petroleum-jun24.pdf>

**Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable**

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).