



Press Release

Kotak Petroleum LLP

January 19, 2022

Ratings

Instrument Facility /	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	20.00	IVR BBB+ Stable (IVR Triple B Plus; Stable Outlook)	Reaffirmed	Simple
Short Term Bank Facilities	73.00	IVR A2 (IVR Single A2)	Reaffirmed	Simple
Total	93.00 (Ninety three crore only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Kotak Petroleum LLP continues to draws comfort from its experienced promoters group, satisfactory capital structure and healthy debt protection metrics. The Rating also considers the healthy liquidity of the firm. However, these rating strengths are partially offset by its thin profitability, moderate working capital intensive nature of operation and susceptibility to regulatory changes both in India and overseas.

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
- Improvement in 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
- Elongation in the operating cycle impacting the liquidity
- Any adverse regulatory changes



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters group

The group was established under the guidance of 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.

Comfortable capital structure

The financial profile of the firm is comfortable marked by its moderate net worth base of Rs.72.75 crore as on March 31, 2021. Total debt comprises of term debt of Rs 11.98 crore along with repayment of Rs 6.18 crore and working capital limit of Rs 39.12 crore as on March 31,2021, the firm depends largely on working capital limits. The overall gearing stood comfortable at 0.81x as on March 31, 2021. Total indebtedness of the firm as reflected by TOL/TNW also remained comfortable and stands at 1.08x as on March 31,2021.

Healthy Debt protection metrics

The debt protection metrics of the firm remained healthy over the years marked by its satisfactory profitability with strong gross cash accruals. The gross cash accruals of the company witnessed a steady improvement from Rs. 9.59 crore in FY20 to Rs. 10.38 crore against repayment of Rs 6.18 crore as on March 31,2021. Further, the interest coverage stood comfortable at 6.28x(remained strong over the last three years) and Total debt to GCA at 5.64 years as on March 31,2021

Healthy liquidity

The liquidity profile is supported by the unutilised fund-based borrowing limits available with the company. The company has strong healthy liquidity marked by its strong accruals against minimal repayment obligations. Further, the average utilisation of its fund based working capital limit also remained moderately utilised at ~56% and has not utilised the non-fund based limits during the year indicating an adequate liquidity buffer in the last 12 months



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ended on November 2021 The current and quick ratios remained comfortable at 2.18x and 2.17x respectively as on March 31, 2021.

Key Rating Weaknesses

Thin profitability

The profit margins of the company remained thin mainly due to its limited value additive nature of the business. The EBITDA margin of the company hovered in the range of ~1.70%-2.80% and the PAT margin hovered in the range of ~1.30%-1.42% during FY19-FY21. Further, increase in interest expenses attributable to increase in working capital utilisation and secured loan

Working capital intensive nature of operations

The operation of the company is working capital intensive due to its elongated collection period. The Working Capital Cycle of the firm has also elongated from 39 days in FY19 to 59 days in FY21 due to increase in collection period from ~42 days in FY19 to ~66 days in FY21.

Susceptible to regulatory changes both in India and overseas

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.

Analytical Approach: Standalone

Applicable Criteria

Rating Methodology for Trading Companies

Financial Ratios & Interpretation (Non- Financial Sector)

Liquidity –Adequate

KPLLP has adequate liquidity as seen by GCA of Rs. 10.38 crore as against its debt obligation of Rs. 6.18 crore in FY21. The liquidity profile is supported by the unutilised fund and non fund-based borrowing limits available with the company and expected cash accrual



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of Rs 14-15 crore which will sufficiently cover yearly long term debt obligation of Rs 2.75-4.00 crore in FY22-24. Further, the average utilisation of its working capital limit also remained comfortable at ~56% in the last 12 months ended on November 2021 indicating an adequate liquidity buffer. The current ratio stood at 2.18x as on March 31,2021. Further, the promoter has infused capital of Rs 6.93 crore in FY2021 into the firm to provide liquidity support.

About the Firm:

KPLLP is a newly established limited liability partnership firm to take over the business of Kotak Petro Chem Pvt Ltd (KPCPL), which is engaged into trading of petroleum products. KPCPL will now become a partnership in the form of LLP. The company is engaged into trading of petroleum products. The company majorly deals in Furnace Oil, Bitumen, Sulphur and PET coke with various quantity, quality and counts.

Financials (Standalone):

For the year ended*/As on	31-03-2020	31-03-2021
	Audited	Audited
Total Operating Income	623.61	667.27
EBITDA	18.94	18.45
PAT	8.03	9.01
Total Debt	44.17	58.58
Tangible Net worth	56.87	72.75
EBITDA Margin (%)	3.04	2.76
PAT Margin (%)	1.28	1.34
Overall Gearing Ratio (x)	0.78	0.81

Status of non-cooperation with previous CRA: Issuer not cooperating by BWR vide press release dated Nov 12, 2020 due to non-availability of information.

Any other information: N.A



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Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21(Dated Oct 20,2020)	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Cash Credit	Long Term	20.00	IVR BBB+/ Stable	IVR BBB+/ Stable	--	--
2.	IBP	Short Term*	43.00	IVR A2	IVR A2	--	--
3.	Letter of Credit	Short Term	25.00	IVR A2	IVR A2	--	--
4.	Bank Guarantee	Short Term	5.00	IVR A2	IVR A2	--	--
5.	CEL ON Forward Contract **	Short Term	(1.50)	IVR A2	IVR A2	--	--

* EPC/PCFC/FBP/F BN of Rs 14.00 crore is a sublimit of IBP.

**Subject to Maximum Non Fund Based Working Capital Limit of Rs 30.00 crore

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About Infomerics:

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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
Long Term Fund Based- Cash Credit	-	-	-	20.00	IVR BBB+/ Stable
Short Term Fund Based- IBP*	-	-	-	43.00	IVR A2
Short Term Non-Fund Based- Letter of Credit**	-	-	-	25.00	IVR A2
Short Term Non-Fund Based- Bank Guarantee**	-	-	-	5.00	IVR A2
Short Term Non-Fund Based- CEL on Forward Contract**	-	-	-	(1.50)	IVR A2

*EPC/PCFC/FBP/FBN of Rs 14.00 crore is a sublimit of IBP

**Subject to Maximum Non Fund Based Working Capital Limit of Rs 30.00 crore

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/lender-Kotak-Petroleum-LLP.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.