



Press Release

Kotak Petroleum LLP

April 17, 2023

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	23.00	IVR BBB+/Stable (IVR Triple B Plus with Stable Outlook)	Reaffirmation	Simple
Short Term Bank Facilities	70.00	IVR A2 (IVR A Two)	Reaffirmation	Simple
Total	93.00	Rupees 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 draw comfort from experienced promoters' group, increase in scale of operation, comfortable capital structure and healthy debt protection metrics. However, these strengths are constrained by thin profitability, working capital intensive nature of business, susceptible to regulatory changes both in India and overseas and exposed to risk of capital withdrawals.

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

List of Key Rating Drivers with Detailed Description



Press Release

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.

Increase in scale of operations

The total operating income of the firm in FY22 grew by 61.14% to Rs 1075.24 crore from Rs 667.27 crore in FY21 on account of increase in sales volume and sales realization of its key products.

Comfortable capital structure

The capital structure of the firm stood comfortable marked by its moderate net worth base of Rs. 87.96 crore as on March 31, 2022. The overall gearing of the firm stood comfortable at 0.75x as on March 31, 2022, improved from 0.81x as on March 31, 2021 mainly due to accretion of profits to partner's capital account and net capital infusion of Rs. 2.77 Crore in partner's capital during the year. Further, total indebtedness of the firm as reflected by TOL/TNW also improved and stood at 1.01x as on March 31, 2022, as compared to 1.08x as on March 31, 2021.

Healthy Debt protection metrics

The debt protection metrics of the firm remained healthy marked by Interest coverage which improved to 15.50 times in FY22 from 9.17 times in FY21 due to increase in operating profitability. DSCR of the firm deteriorated to 2.02x in FY22 as against 3.40x in FY21. Total debt to GCA stood at 4.62x as on 31 March 2022 as against 5.64x as on March 31, 2021.

Key Rating Weaknesses



Press Release

Thin profitability

The profit margins of the company remained thin mainly due to its limited value additive nature of the business. The firm has reported operating profit of Rs. 28.06 crore in FY2022 (Audited); increased from Rs.18.44 crore in FY2021(Audited). Although, there is increase in scale of operations, but the EBITDA margin moderated marginally by 15 bps to 2.61% in FY22 from 2.76% in FY21 on account of decline in margin on traded goods. The firm has reported PAT of Rs.12.48 crore in FY2022 (Audited) as against Rs. 9.01 crore in FY2021 (Audited). With decline in EBITDA margin, the PAT margin of the firm also declined and stood thin at 1.16% in FY22 as against 1.33% in FY21. Gross Cash accruals have increased to Rs.14.26 crore in FY22 as against Rs. 10.38 Crore in FY21 due to increase in scale of operations and profitability in absolute terms.

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 stood at 42 days in FY22 improved from 59 days in FY21 on account of decline in collection period from ~66 days in FY21 to ~45 days in FY22 with an increase in scale of operations.

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.

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.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Trading Companies](#)

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

[Criteria of assigning rating outlook](#)

Liquidity – Adequate



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Comments on liquidity: The firm's liquidity is adequate marked by 54.67% average utilisation of fund-based limits during the past 12 months ended February 2023. Further, the firm expects sufficient cushion in cash accruals against its debt repayments for the next 3 years. The firm has a Current Ratio of 2.09x as of March 31, 2022. The unencumbered cash and bank balance of firm stood at Rs.5.08 Crores as on December 31, 2022. The Working Capital Cycle of the firm improved to 42 days in FY22 from 59 days in FY21 on account of decline in collection period with an increase in scale of operations.

About the Company

KPLLP was established as a limited liability partnership firm to take over the business of Kotak Petro Chem Pvt Ltd (KPCPL), which was engaged into trading of petroleum products.

Kotak Petroleum LLP was established on 22 Aug 2016 by the members of the Kotak family as a limited liability partnership firm. The LLP belongs to the Kotak family.

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. The import is mainly made through high sea purchase.

Financials (Standalone):

For the year ended/As on*	30-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	667.27	1075.24
EBITDA	18.44	28.06
PAT	9.01	12.48
Total Debt	58.58	65.95
Tangible Net Worth	72.75	87.96
Ratios		
EBITDA Margin (%)	2.76	2.61
PAT Margin (%)	1.33	1.16
Overall Gearing Ratio (x)	0.81	0.75

*Classification as per infomerics' standards

Status of non-cooperation with previous CRA: Brickwork Ratings has moved the rating of KPLLP under the Issuer Non-Cooperating category as the company did not co-operate in the rating procedure despite repeated follow ups as per the Press Release dated February 06, 2023.

Any other information: Not Applicable



Press Release

Rating History for last three years:

Sr. No.	Name of Instrument/ Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021- 22 (Dec 08, 2022)	Date(s) & Rating(s) assigned in 2020- 21(Oct 08, 2021)	Date(s) & Rating(s) assigned in 2019- 20
1.	Cash Credit	Long Term	23.00	IVR BBB+/ Stable	IVR BBB+/ Stable	IVR BBB+/ Stable	--
2.	IBP	Short Term	40.00	IVR A2	IVR A2	IVR A2	--
3.	Letter of Credit	Short Term	25.00	IVR A2	IVR A2	IVR A2	--
4.	Bank Guarantee	Short Term	5.00	IVR A2	IVR A2	IVR A2	--

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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

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

For more information visit www.infomerics.com.



Press Release

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Press Release

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 Bank Facility-Cash Credit	-	-	-	23.00	IVR BBB+/Stable
Short Term Bank Facility- IBP	-	-	-	40.00	IVR A2
Short Term Bank Facility- LC	-	-	-	25.00	IVR A2
Short Term Bank Facility- BG	-	-	-	5.00	IVR A2

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

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-KotakPetroleum-apr23.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.