

Press Release

03 July, 2017



KMS Exports Private Limited

Rating Reaffirmed

Total Bank Facilities Rated *	Rs. 5.00 Cr.
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed short term rating of '**SMERA A4**' (**read as SMERA A four**) on the Rs. 5.00 crore bank facilities of KMS Exports Private Limited.

KMS Exports Private Limited (KEPL), established in 2000, is a Mumbai-based company engaged in the trading and export of agro based commodities and consumer products to Sudan, Kenya, Dubai and other African countries.

Key Rating Drivers

Strengths

- **Experienced promoters**

The promoters, Mr. Kaushik Gohil, Mr. Mukesh Shah and Mr. Harshad Shah possess over a decades experience in the trading business. The day-to-day operations are led by the aforementioned.

- **Improvement in profitability**

The EBITDA margin improved to 4.81 percent in FY2016 from 2.73 percent in FY2015 mainly on account of decline in selling expenses. The company registered profit after tax (PAT) of Rs. 0.20 crore in FY2016 as against net loss of Rs. 0.16 crore in FY2015. Going ahead, SMERA expects the profitability to remain comfortable.

- **Moderate financial risk profile**

The net worth increased to Rs. 8.26 crore in FY2015-16 from Rs. 5.53 crore in FY2014-15 primarily due to retention of profits and infusion of additional unsecured loan which are subordinated to bank. The company has comfortable gearing (debt to equity ratio) of 0.13 times in FY2016 as against 0.61 times in FY2015. The interest coverage ratio (ICR) stood at 1.25 times in FY2016 as against 0.84 times in FY2015. SMERA believes that, KEPL's financial risk profile is expected to remain moderate in the medium term.

Weaknesses

- **Moderate scale of operations with consistent decline in revenues**

KEPL's operations are at a moderate level showing a declining trend in revenue. Revenue stood at Rs. 32.07 crore in FY2016, a drop from Rs. 41.05 crore in FY2015. Going forward, as informed by the management, revenue for FY2017 would be at ~Rs. 30 crore. The decline in revenue is mainly on account of fall in overseas orders.

- **Working capital intensive operations**

The working capital operations are intensive in nature marked by high gross current asset (GCA) of 152 days in FY2016 against 86 days in FY2015. This was mainly due to high debtors of 109 days in FY2016 as against 61 days in FY2015.

- **Competitive and fragmented industry, exposure to forex fluctuation risk**

Since the company is into exports, it faces commodity price risk and fluctuations in forex rates. Besides, exports and imports stood at ~ 64.73 percent and 3.41 percent respectively in FY2016 and ~ 97.19 percent and 2.16 percent respectively in FY2015 of its total sales and purchases. The forex fluctuation risk is partially mitigated through natural hedging. Further, the company is exposed to intense market competition that limits the pricing flexibility.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the company to arrive at the rating.

About the Rated Entity - Key Financials

KMS Exports Private Limited (KEPL) reported profit after tax of Rs.0.20 crore on net sales of Rs.32.70 crore in FY2016, as compared with loss reported in FY2015 of Rs. 0.16 crore on net sales of Rs. 41.05 crore in the previous year. The networth stood at Rs. 8.26 crore as on 31 March, 2016 as compared to Rs. 5.53 crore as on 31 March, 2015.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Trading Entities - <https://www.smera.in/criteria-trading.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
04-Apr-2016	Packing Credit	Short Term	5.00	SMERA A4
08-Jun-2015	Packing Credit	Short Term	4.00	SMERA A4
	Derivative Exposure	Short Term	1.00	SMERA A4

*Annexure - Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA A4

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ABOUT SMERA

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