



SMERA RATINGS LIMITED

Komal Exotic Spices Private Limited (KESPL)

*Rating
Rationale***October 19, 2015**

Facilities	Amount (Rs. Crore)	Ratings
Cash Credit	2.00	SMERA BB/Stable (Assigned)
Foreign Letter of Credit	15.00	SMERA A4+ (Assigned)
Proposed Foreign Letter of Credit	7.00	SMERA A4+ (Assigned)

SMERA has assigned ratings of '**SMERA BB**' (read as **SMERA double B**) and '**SMERA A4+**' (read as **SMERA A four plus**) to the Rs.24.00 crore bank facilities of Komal Exotic Spices Private Limited (KESPL). The outlook is '**Stable**'. The ratings draw comfort from the company's experienced management and established relationships with suppliers and customers. The ratings also factor in the company's moderate financial risk profile. However, the ratings are constrained by the company's modest scale and working-capital intensive operations. The ratings also note that the company's operating profit margin is susceptible to fluctuations in raw material prices and forex rates.

Outlook: Stable

SMERA believes that the company will continue to benefit over the medium term from its experienced management and established relationships with suppliers and customers. The outlook may be revised to 'Positive' in case the company achieves sustained improvement in profit margins while maintaining healthy revenue growth or in case of improvement in the company's capital structure or working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of decline in the company's revenues or profitability. The outlook may also be affected by deterioration in the company's capital structure on account of higher-than-expected debt-funded working capital requirements.

Rating Sensitivity Factors

- Sustained improvement in revenue and profitability
- Working capital management

About the Company

KESPL, incorporated in 2009, is a Mumbai-based company engaged in the import, processing and trading of spices such as cloves, black pepper, cumin seeds among others. The company is promoted by Mr. Gopaal Ahuja, having experience of over two decades in a similar business.

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In FY2013-14, KESPL reported profit after tax (PAT) of Rs.0.98 crore on operating income of Rs.73.81 crore, as compared to PAT of Rs.0.89 crore on operating income of Rs.66.27 crore in the previous year. In FY2014-15, the company reported profit before tax of Rs.2.23 crore (provisional) on operating income of Rs.78.89 crore (provisional). The company's net worth stood at Rs.4.71 crore as on March 31, 2014, as compared with Rs.3.73 crore a year earlier.

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