

Press Release

Komal Exotic Spices Private Limited (KESPL)

12 January, 2017

Rating Reaffirmed

Total Bank Facilities Rated*	Rs.24.00 Crore
Long Term Rating	SMERA BB/Stable (Reaffirmed)
Short Term Rating	SMERA A4+ (Reaffirmed)

**Refer Annexure for details*

Draft Rating Rationale

SMERA has reaffirmed the long-term rating of '**SMERA BB' (read as SMERA double B)** and short term rating of '**SMERA A4+' (read as SMERA A four plus)** on the Rs.24.00 crore bank facilities of Komal Exotic Spices Private Limited (KESPL). The outlook is '**Stable**'.

KESPL, incorporated in 2009, is a Mumbai-based company engaged in importing, processing and trading of spices such as cloves, black pepper, cumin seeds among others. The company was promoted by Mr. Gopaal Ahuja and family.

List of key rating drivers and their detailed description

Strengths:

Experienced and qualified management: The promoter, Mr. Gopaal Ahuja, a Post Graduate in Medical Research (M. Pharm) has experience of over two decades in the aforementioned industry.

Established relations with reputed clientele and suppliers: KESPL has been able to maintain long standing relationships with its reputed clientele including Mahashian Di Hatti Private Limited (MDH); Shri Mahila Griha Udyog Lijjat Papad (Lijjat Papad), Everest Spices to name a few.

Comfortable financial risk profile: The comfortable financial risk profile is marked by adjusted gearing of 1.29 times as on March 31, 2016 and healthy coverage indicators with interest coverage ratio of 7.06 times for FY2015-16. For arriving at the adjusted gearing, interest free unsecured loan of Rs.2.80 crore as on March 31, 2016 from promoters has been considered as part of equity (same is subordinated to bank debt).

Moderate working capital intensity: The company has moderate working capital intensity with gross current asset days (GCA) of 104 for FY2015-16 as against 143 days for FY2014-15.

Weaknesses:

Decline in profitability margin: KESPL has reported operating margin of 0.78 per cent for FY2015-16 as against 2.98 per cent for FY2014-15 thereby registering a decline of around 220 bps. This is due to low bargaining power with customers and forex loss of Rs.0.79 crore incurred in FY2016. However, company has reported EBITDA of 2.77 crore (provisional) on operating income of Rs. 85.74 crore (provisional) for the period during April, 2016 to December, 2016.

Volatility in commodity prices: The company is exposed to volatility in prices of raw material on account of agro-climatic conditions. Further, changes in government policies may also impact commodity prices.

Foreign exchange fluctuation risk: KESPL is exposed to forex fluctuation risk since it imports around 45 per cent of total purchases from Sri Lanka, Dubai, Indonesia to name a few. However, the risk is partially mitigated with forward contract of Rs.17.00 crore.

Analytical approach: SMERA has considered the standalone business and financial risk profiles of KESPL.

Applicable Criteria

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

Outlook: Stable

SMERA believes that KESPL will maintain a stable outlook on account of its experienced management and established relations with reputed clientele. The outlook may be revised to 'Positive' in case the company achieves significant growth in revenue while registering improvement in profitability, capital structure and liquidity. Conversely, the outlook may be revised to 'Negative' in case of significant decline in revenue, profitability or liquidity profile.

About the Company

KESPL, incorporated in 2009, is a Mumbai-based company that imports, processes and trades in spices such as clove, black pepper, cumin seeds and cinnamon. The company was promoted by Mr. Gopaal Ahuja who possesses experience of around 25 years in the spice trade industry.

KESPL reported profit after tax (PAT) of Rs.0.75 crore on operating income of Rs.87.67 crore for FY2015-16 as compared to PAT of Rs.1.30 crore on operating income of Rs.77.40 crore for FY2014-15. The net worth stood at Rs.9.55 crore as on March 31, 2016 as compared with Rs.7.86 crore as on March 31, 2015.

Status of non-cooperation with previous CRA (if applicable): CRISIL, vide release dated September 21, 2016 has suspended the ratings of KESPL on account of lack of adequate information required for monitoring of ratings.

Any other information: Not Applicable

Rating History for the last three years:

Name of Instrument /Facilities	2017			2016		2015		2014	
	Scale	Amount (Rs. Crore)	Rating with Outlook	Date	Rating	Date	Rating with Outlook	Date	Rating
Cash Credit	LT	2.00	SMERA BB/ Stable (Reaffirmed)	-	-	19 October, 2015	SMERA BB/Stable (Assigned)	-	-
Foreign Letter of Credit	ST	17.00 (enhanced from Rs.15.00 crore)	SMERA A4+ (Reaffirmed)	-	-	19 October, 2015	SMERA A4+ (Assigned)	-	-
Proposed Foreign Letter of Credit	ST	5.00 (revised from Rs.7.00 crore)	SMERA A4+ (Reaffirmed)	-	-	19 October, 2015	SMERA A4+ (Assigned)	-	-

***Annexure – Details of instruments rated:**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/ Outlook
Cash Credit	N.A	N.A	N.A.	2.00	SMERA BB/Stable (Reaffirmed)
Foreign Letter of Credit	N.A	N.A	N.A	17.00 (enhanced from Rs. 15.00 crore)	SMERA A4+ (Reaffirmed)
Proposed Foreign Letter of Credit	N.A	N.A	N.A	5.00 (revised from Rs.7.00 crore)	SMERA A4+ (Reaffirmed)

Note on complexity levels of the rated instrument:
<https://www.smera.in/criteria-complexity-levels.htm>

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ABOUT SMERA

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