

Kedia Enterprises: Assigned

| Name of the Instrument | Amount (Rs. Crore) | Rating/Outlook |
|------------------------|--------------------|-----------------------------|
| Cash Credit | 15.00 | SMERA BB-/Stable (Assigned) |

SMERA has assigned rating of '**SMERA BB-**' (read as **SMERA double B minus**) on the Rs.15.00 crore bank facility of Kedia Enterprises. The outlook is '**Stable**'.

The assigned rating takes into account the long track record of operations, experienced management and healthy financial risk profile marked by low gearing. The rating also draws comfort from the healthy profitability indicators. However, the rating is constrained by the uneven scale of operations, volatility in raw material prices and highly competitive and fragmented textile industry.

Kedia Enterprises was established by Mr Pawan Kumar Kedia in 1993. The promoters, the Kedia family has been in cotton trading for four decades. The firm is engaged in the business of cotton yarn trading and wind power generation. The moderate financial risk profile of the firm is marked by low gearing of 0.53 times and interest coverage ratio of 4.77 times as on 31 March, 2015. The net worth is healthy at Rs.37.73 crore as on 31 March, 2015. The EBITDA margins stood at 6.09 per cent in FY2014-15. However, the profit margins are highly susceptible to changes in cotton prices and fibre. The firm has uneven scale of operations with revenues of Rs.453.17 crore for FY2012-13 and Rs.68.69 crore for FY2014-15. Besides, the firm operates in a highly competitive and fragmented textile industry.

Rating Sensitivity Factors

- Efficient working capital management
- Volatility in raw material prices

Outlook-Stable

SMERA believes Kedia Enterprises will maintain a stable outlook over the medium term owing to its promoter's extensive industry experience. The outlook may be revised to 'Positive' if the firm reports substantial and sustainable revenues or operating margins. Conversely, the outlook may be revised to 'Negative' in case of decline in profitability and stretched working capital cycle.

Criteria applied to arrive at the rating:

- Trading entities

About the Firm

Kedia Enterprises, established in 1993 by Mr. Manoj Kumar Kedia is engaged in the business of cotton yarn trading and wind power generation. The promoter possesses over four decades of experience in cotton trading. For FY2014-15, Kedia Enterprises registered profit after tax (PAT) of Rs.4.69 crore on operating income of Rs.68.69 crore as compared to PAT of Rs.3.47 crore on an operating income of Rs.3.65 crore for FY2013-14.

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ABOUT SMERA

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