

Kedia Texfab and Industries Private Limited: Assigned

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Cash Credit	30.00#	SMERA BB-/Stable (Assigned)
Letter of Credit	30.00	SMERA A4+ (Assigned)

Includes Rs. 20.00 crore working capital demand loan as sub limit

SMERA has assigned rating of '**SMERA BB-**' (read as **SMERA double B minus**) on the Rs.30.00 crore fund based facility and '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 30.00 crore non-fund based bank facility of Kedia Texfab and Industries Private Limited (KTIPL). The outlook is '**Stable**'.

The ratings draw support from the extensive experience of the management in the textile sector and comfortable financial risk profile. However, the ratings are constrained by the uneven revenues and working capital intensive operations. The ratings also factor in the susceptibility of profitability to volatility in raw material prices and the highly competitive and fragmented textile industry.

KTIPL, incorporated in 2013 is engaged in the trading of cotton yarn. The company benefits from its experienced management. The promoters, Mr. Manojkumar P. Kedia, Mr. Pawankumar G. Kedia have been in cotton trading for around four decades. The comfortable financial risk profile is marked by tangible net worth of Rs.44.37 crore (PY: Rs. 44.15 crore) as on March 31, 2016 (provisional). The tangible net worth includes subordinated quasi equity from promoters of Rs.29.49 crore. SMERA has treated the same as part of tangible net worth. The debt-to-equity ratio stood at 0.62 times in FY2015-16. The interest coverage ratio (ICR) stood at 1.45 times (PY: 1.67 times) in FY2015-16.

However, the operating income of KTIPL has declined to Rs.363.71 crore in FY2015-16 from Rs. 450.77 crore in FY2014-15 due to low off take. For the period April 2016 to August 2016, the company achieved revenue of Rs.142.00 crore. KTIPL's operations are working capital intensive with elongated working capital cycle of 60 days in FY2015-16 as against 44 days in FY2014-15. This is on account of stretched collections of 130 days in FY2015-16 as against 112 days in FY2014-15. The average cash credit limit utilisation has been around 86 per cent in the last six months ended August 2016.

KTIPL's profitability is susceptible to volatility in cotton prices, since it constitutes ~98 per cent of the total cost of sales. The company operates in a highly competitive and fragmented textile sector.

Rating Sensitivity Factors

- Sustained improvement in revenues and profitability
- Movement in capital structure
- Effective working capital management

Outlook: Stable

SMERA believes that KTIPL would continue to maintain a stable outlook and benefit over the medium term from its promoters extensive industry experience. The outlook may be revised to 'Positive' if the company reports substantial growth in revenues and profitability. Conversely, the outlook may be revised to 'Negative' in case of decline in revenues, profitability or higher working capital requirements deteriorating the capital structure or liquidity position of the company.

Criteria applied to arrive at the ratings:

- Trading Entities

About the Company

Incorporated in 2013, KTIPL is a Mumbai-based company that trades in cotton yarn. The company was promoted by Mr. Manojkumar Kedia and Mr Pawankumar Kedia.

For FY2015-16 (provisional) KTIPL registered profit after tax (PAT) of Rs.2.79 crore on operating income of Rs.363.71 crore as compared to PAT of Rs.3.85 crore on operating income of Rs.450.77 crore.

Contacts:

Analytical	Business Development
Mr. Mohit Jain Vice President – Ratings Operations, Tel: +91-22-6714 1105 Cell: 9619911017 Email: mohit.jain@smera.in	Mr. Suman M Vice President – Business Development, Corporate Ratings Tel: +91-22-6714 1151 Cell: +91-9892306888 Email: suman.m@smera.in

ABOUT SMERA

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