

Press Release

KEDIA TEXFAB AND INDUSTRIES PRIVATE LIMITED

January 22, 2018



Rating Upgraded

Total Bank Facilities Rated*	Rs. 60.00 Cr.
Long Term Rating	SMERA BB / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has upgraded long-term rating of '**SMERA BB** (read as SMERA BB) and short term rating of '**SMERA A4+**' (read as SMERA A four plus) on the Rs. 60.00 crore bank facilities of KEDIA TEXFAB AND INDUSTRIES PRIVATE LIMITED. The outlook is '**Stable**'.

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

Key Rating Drivers

Strengths

- **Extensive business experience of the promoter**

KTIPL, incorporated in 2013 is engaged in the trading of cotton yarn. The company benefits from its experienced management. The promoters, Mr. Manoj Kumar P. Kedia, Mr. Pawan Kumar G. Kedia have been in cotton trading for around four decades. SMERA believes that the company would sustain its existing business risk profile on the back of its promoter's extensive industry experience and the relations it has with its suppliers.

- **Comfortable financial risk profile**

The company has comfortable financial risk profile marked by tangible net worth of Rs.43.36 crore (PY: Rs. 44.33 crore) as on March 31, 2017. The tangible net worth includes subordinated quasi equity from promoters of Rs.24.02 crore. The debt-to-equity ratio stood at 0.51 times in FY2016-17. The interest coverage ratio (ICR) stood at 1.71 times (PY: 1.70 times) in FY2016-17.

- **Comfortable Working capital cycle**

KTIPL has comfortable working capital cycle marked by GCA of 94 days in FY2017. Debtor days are near about 84 days as on March 31, 2017 as compared to 130 days in as on March 31 2016. Average cash credit limit utilisation is ~87% in last six months ending November 2017.

Weaknesses

- **Thin net profit margins**

Operating margins of the company stood at 3.28 percent in FY2017 as against 2.72 percent in FY2016. The improvement in operating margins is due to decline in raw material cost as percentage of sales. Given the trading nature of business, net profit margins remained thin and have declined to 1.07 percent in FY2017 from 1.37 percent in FY2016, due to high interest and depreciation cost.

- **Profits are Susceptible to fluctuations in raw material prices**

KTIPL's margins are highly susceptible to changes in cotton prices and fibre. Price of cotton is stated by government through Minimum Support Price (MSP). However, the purchase price depends on the prevailing demand-supply situation which restricts bargaining power with the suppliers as well. Any adverse movement of cotton prices further impacts the profitability. The fibre is crude derivate and it's

volatile in nature.

Analytical Approach

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

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.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	421.74	360.07	450.77
EBITDA	Rs. Cr.	13.83	9.81	13.93
PAT	Rs. Cr.	4.51	4.94	3.85
EBITDA Margin	(%)	3.28	2.72	3.09
PAT Margin	(%)	1.07	1.37	0.85
ROCE	(%)	24.07	19.70	42.38
Total Debt/Tangible Net Worth	Times	0.51	0.62	0.52
PBDIT/Interest	Times	1.71	1.70	1.67
Total Debt/PBDIT	Times	1.33	1.69	1.60
Gross Current Assets (Days)	Days	94	141	117

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

None

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
08-Oct-2016	Cash Credit	Long Term	INR 30	SMERA BB- / Stable
	Letter of Credit	Short Term	INR 30	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
------------------------	------------------	-------------	---------------	-----------------------------	-----------------

Cash Credit	Not Applicable	Not Applicable	Not Applicable	30.00	SMERA BB / Stable (Upgraded)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	30.00	SMERA A4+ (Reaffirmed)

Contacts

Analytical	Rating Desk
Vinayak Nayak Head – Ratings Operations Tel: 022-67141190 vinayak.nayak@smera.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 varsha.bist@smera.in
Vishal Choudhary Senior Analyst - Rating Operations Tel: 022-67141159 vishal.choudhary@smera.in	

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, D&B and leading public and private sector banks in India. SMERA is registered with SEBI, accredited by RBI as an External Credit Assessment Institution (ECAI), under BASEL-II norms for undertaking Bank Loan Ratings. SMERA Bond Ratings is a division of SMERA Ratings Limited responsible for ratings of bank facilities, and capital market/money market debt instruments such as Bonds, Debentures, Commercial Papers, Fixed Deposits, Certificate of Deposits etc.. For more details, please visit www.smera.in.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.