

Press Release

Kedia Texfab and Industries Private Limited

November 21, 2018



Rating Reaffirmed

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

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE BB**' (**read as ACUITE double B**) and short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) to the Rs. 60.00 crore bank facilities of Kedia Texfab and Industries Private Limited (KTIPL). The outlook is '**Stable**'.

KTIPL is engaged in the business of trading cotton yarn. The registered office of the company is located at Mumbai (Maharashtra). The company was incorporated in March 2013 by Mr. Manoj Kumar Kedia.

Analytical Approach

Acuité has considered the consolidated business and financial risk profile of Pawankumar Kedia & Co. and Kedia Texfab and Industries Private Limited together referred to as the 'Kedia Group' to arrive at the rating. The consolidation is on account of common directors, similar line of business and operational synergies.

Key Rating Drivers

Strengths

- **Extensive business experience of the promoter**

The promoters of the company, Mr. Pawankumar Kedia and family have been involved in the cotton trading industry for past two decades through its group company Kedia Enterprises. Being into similar line of business for so long, they have developed significant industry insights and developed healthy relations with its customers and suppliers. Acuité believes that the group would sustain its existing business risk profile on the back of promoters' extensive industry experience and the long standing relations with its customers and suppliers.

- **Comfortable financial risk profile**

Kedia Group's financial risk profile is comfortable marked by a healthy tangible net worth, healthy gearing and moderate debt protection metrics. Net worth of the group stood at Rs.63.84 crore (includes interest bearing (12 percent) quasi capital of Rs.40.66 crore) against Rs.47.52 crore in earlier year (includes interest bearing (12 percent) quasi capital of Rs.24.02 crore). The gearing (debt-to-equity) is healthy and stood at 0.63 times as on March 31, 2018 against 0.49 times in earlier year. Interest Coverage Ratio is moderate at 1.45 times for March 31, 2018 against 1.80 times for the previous year. NCA/TD ratio stood at 0.10 times as on 31 March, 2018.

Weaknesses

- **Thin net profit margins**

Operating margins of the group stood at 2.22 percent in FY18 against 3.30 percent in the previous year. Given the trading nature of business, net profit margins remained thin at 0.63 percent in FY18.

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

The group's margins are highly susceptible to changes in cotton prices. 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. Material cost is ~96 percent of total operating income in FY2018.

• Operating in highly competitive and fragment textile industry

The group is operating in highly competitive and fragment textile industry which impacts its profitability.

Outlook: Stable

Acuité believes that the group will maintain a 'Stable' outlook over the medium term from its promoters' extensive industry experience. The outlook may be revised to 'Positive' in case the group reports substantial growth in revenues and profitability. Conversely, the outlook may be revised to 'Negative' in case of decline in the group's revenues or profitability or a higher working capital requirement deteriorates capital structure or liquidity position of the group.

About the Group

Kedia Group has been engaged in the cotton trading business since 1993 through its associate concern Kedia Enterprises. The group is promoted by Mr. Manoj Kumar Kedia and family.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	571.83	446.03	360.07
EBITDA	Rs. Cr.	12.68	14.70	9.81
PAT	Rs. Cr.	3.65	5.38	4.94
EBITDA Margin	(%)	2.22	3.30	2.72
PAT Margin	(%)	0.64	1.21	1.37
ROCE	(%)	18.11	24.43	44.89
Total Debt/Tangible Net Worth	Times	0.63	0.49	0.62
PBDIT/Interest	Times	1.45	1.80	1.70
Total Debt/PBDIT	Times	2.53	1.33	1.69
Gross Current Assets (Days)	Days	105	96	141

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Consolidation Of Companies - <https://www.acuite.in/view-rating-criteria-22.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
22-Jan-2018	Cash Credit	Long Term	30.00	ACUITE BB/Stable (Upgraded)
	Letter of Credit	Short Term	30.00	ACUITE A4+ (Reaffirmed)
08-Oct-2016	Cash Credit	Long Term	30.00	ACUITE BB-/ Stable (Assigned)
	Letter of Credit	Short Term	30.00	ACUITE A4+ (Assigned)

*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	ACUITE BB / Stable
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE A4+

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About Acuité Ratings & Research:

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