

## Press Release

07 March, 2017

**Kedia Brothers**

**Rating Assigned**

<b>Total Bank Facilities Rated *</b>	Rs.36.00 Cr
<b>Long Term Rating</b>	SMERA BB+/Stable

*\*Refer Annexure for details*

### Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB+**' (read as **SMERA BB plus**) on the Rs. 36.00 crore bank facilities of Kedia Brothers. The outlook is '**Stable**'.

Kedia Brothers (KB), established in 1984 as a proprietary concern by Mr. Subhash Kedia is engaged in cotton yarn manufacturing in Tamil Nadu.

### Key Rating Drivers

#### Strengths

- **Experienced management**

The proprietor, Mr. Subhash Kedia has more than three decades of experience in the cotton yarn trading industry.

- **Healthy profit margins**

The margins are healthy. The EBITDA margins increased from 3.14 per cent in FY2014-15 to 4.12 per cent in FY2015-16 on account of increase in commission income from consignment sales and decrease in revenue from trading of textile yarn.

#### Weaknesses

- **Moderate financial risk profile**

The financial risk profile is moderate marked by interest coverage ratio of 2.50 times for FY2015-16 and gearing of 0.55 times as on March 31, 2016. Further NCA/TD stood at 0.23 times in FY2015-16.

- **Working capital intensive operations**

The operations are working capital intensive evident from the increase in debtor days from 80 in in FY2014-15 to 140 in FY2015-16. The working capital cycle increased from 31 days in FY2014-15 to 72 days in FY2015-16.

- **Highly competitive industry**

The firm operates in a highly competitive industry marked by several organised as well unorganised players in yarn trading.

### Analytical Approach

SMERA has considered the standalone financial and business risk profiles of the firm to arrive at the ratings.

### Outlook: Stable

SMERA believes that KB will maintain a stable outlook and benefit over the medium term owing to its proprietor's extensive industry experience. The outlook may be revised to 'Positive' in case the firm registers significant improvement in its business risk profile while maintaining healthy financial risk profile. Conversely, the outlook may be revised to 'Negative' if its financial risk profile deteriorates majorly due to inefficient working capital management or if it undertakes significant debt-funded capital expenditure.

### About the Rated Entity - Key Financials

For FY2015-16, KB reported profit after tax (PAT) of Rs.5.66 cr on operating income of Rs.234.96 cr as compared to PAT of Rs.9.97 cr on operating income of Rs.364.30 cr in FY2014-15. The net worth stood at Rs.57.66 cr as on March 31, 2016 against Rs.50.07 cr a year earlier.

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

CRISIL, vide release dated September, 2016 has suspended its ratings on account of lack of adequate information required for monitoring of ratings.

### Any other information

None

### Applicable Criteria

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

### Note on complexity levels of the rated instrument

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

### Rating History (Upto last three years)

Not Applicable

### \*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	36.00	SMERA BB+ / Stable

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**ABOUT SMERA**

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