

Press Release

Keshav Overseas (KO)

28 July, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs.8.50 Cr
Long Term Rating	SMERA B/Stable (Assigned)
Short Term Rating	SMERA A4 (Assigned)

**Refer Annexure for details*

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B' (read as SMERA B)** and short term rating of **SMERA A4 (read as SMERA A four)** on the Rs.8.50 crore bank facility of Keshav Overseas (KO). The outlook is '**Stable**'.

Keshav Overseas (KO), a partnership firm established in 2015 by Mr. Dheeraj Kumar Batra, Mr. Pawan Kumar Popli and Mr. Rajesh Kumar Batra commenced commercial operations from November 2016. The firm is engaged in the milling and processing of basmati rice at Karnal, Haryana and has installed capacity of 12 tonnes per hour.

List of key rating drivers and their detailed description:

Strengths:

Experienced management: Mr. Dheeraj Kumar Batra, Mr. Pawan Kumar Popli and Mr. Rajesh Kumar Batra have around a decades experience in the industry and manage the day-to-day operations.

Proximity to raw material: The firm is strategically located at Karnal, Haryana in close proximity to paddy growing areas enabling easy access to raw material.

Weaknesses:

Modest financial risk profile: The firm has modest financial risk profile marked by low networth, high gearing and comfortable debt protection metrics. The networth stood at a low of Rs.2.04 crore in FY2016-17 (Provisional). The networth of Rs. 2.04 crore as on 31 March, 2017 (Provisional) includes unsecured loans from partners and relatives of Rs. 0.38 crore. SMERA has treated the unsecured loan as quasi equity as the amount is subordinated to bank debt. The gearing stood at 2.71 times as on 31 March, 2017 (Provisional). The total debt of Rs.5.51 crore includes long term loan of Rs.2.85 crore and short term working capital of Rs.2.67 crore as on 31 March, 2017 (Provisional). Moreover, the interest coverage ratio stood moderate at 8.77 times and net cash accrual to total debt (NCA/TD) at 0.52 times (Provisional) in FY2016-17. SMERA believes that any large debt funded capex leading to further decline or non-improvement in debt-to-equity ratio would be a key credit rating sensitivity.

Competitive and fragmented nature of industry: Rice is a highly competitive industry resulting in intense competition from the organised and unorganised players.

Agro climatic risk: Paddy, the main raw material is a seasonal crop and production of the same is highly dependent upon the monsoon. Thus inadequate rainfall may affect the availability of paddy in adverse weather conditions.

Nascent stage of operations: The firm was established in 2015 and began commercial operations in November 2016. As a result, the scale of operations has been small at Rs.9.32 crore in FY2016-17 (Provisional). SMERA believes that the firm's long track record of operations along with scaling up of operating income would be a key credit monitorable factor.

Applicable Criteria

- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Application of Financial Ratios and Adjustments: <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition: <https://www.smera.in/criteria-default.htm>

Outlook: Stable

SMERA believes that the outlook for KO will remain stable over the medium term on account of its experienced promoters. The outlook may be revised to 'Positive' if the firm achieves more than expected revenue and improvement in capital structure. Conversely, the outlook may be revised to Negative in case of lower than expected revenues and/or deterioration in the capital structure.

About the Rated Entity

In FY2016-17 the firm achieved operating income of Rs.9.32 crore with Profit after Tax (PAT) of 0.08 crore. The networth stood at Rs.2.04 crore in FY2016-17 (Provisional) including quasi equity of Rs. 0.38 crore.

Analytical approach: SMERA has taken a standalone view of the financial and business risk profiles of KO.

Status of non-cooperation with previous CRA (if applicable): Not Applicable

Any other information: Not Applicable

Rating History for the 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. Crore)	Ratings/ Outlook
Cash Credit	N.A	N.A	N.A	3.90	SMERA B/Stable (Assigned)
Bank Guarantee	N.A	N.A	N.A	0.10	SMERA A4 (Assigned)
Term Loan*	N.A	N.A	N.A	4.50	SMERA B/Stable (Assigned)

*One time FLC of Rs.2.05 crore is Sub Limit of Term Loan

Note on complexity levels of the rated instrument:

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

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ABOUT SMERA

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