



Press Release

Keshav Overseas

September 14, 2018

Rating Assigned and Reaffirmed

Total Bank Facilities Rated*	Rs.18.50 Cr. (Enhanced from Rs. 8.50 Cr)
Long Term Rating	ACUITE B / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuité has assigned and reaffirmed the long term rating of '**ACUITE B**' (**read as ACUITE B**) and the short term rating of '**ACUITE A4**' (**read as ACUITE A four**) to the Rs.18.50 crore bank facilities of Keshav Overseas (KO). The outlook is '**Stable**'.

Established in 2015, KO is a Haryana-based partnership firm engaged in milling of rice (mainly basmati) with an installed capacity of 12 tonnes per hour. Additionally, the firm is also engaged in trading of rice.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of Keshav Overseas to arrive at the rating.

Key Rating Drivers:

Strengths:

Experienced management:

The operations are managed by Mr. Dheeraj Kumar Batra, Mr. Pawan Kumar Popli and Mr. Rajesh Kumar Batra who have experience of nearly a decade being associated with Shree Krishna rice mills.

Proximity to raw material:

The firm has a manufacturing unit at Karnal (Haryana). Karnal is a major rice producing region and enables easy access to raw material i.e. paddy.

Weaknesses:

Weak financial risk profile:

The firm has a weak financial risk profile marked by low net worth, high gearing and moderate debt protection metrics. The net worth of the firm stood at Rs.2.81 crore in as on 31 March, 2018 (Provisional) as against Rs.1.66 crore in the previous year. The gearing stood high at 12.21 times in as on 31 March, 2018 (Provisional) as against 3.50 times in the previous year. The reason for increase of gearing is due to availment of warehouse receipt facilities. The total debt of the firm stood at Rs.34.33 crore consists of term loan of Rs.2.38 crore, short term facilities of Rs.25.55 crore and unsecured loan Rs.6.41 crore in FY2018 (Provisional). The debt protection metrics stood modest with Interest Coverage Ratio (ICR) of 1.98 times in FY2018 (Provisional) as against 7.77 times in FY2017. Debt Service Coverage Ratio (DSCR) stood at 1.98 times in FY2018 (Provisional) as against 7.77 times in FY2017. Net Cash Accruals/ Total Debt (NCA/TD) stood at 0.04 times in FY2018 (Provisional) as against 0.21 times in FY2017.

Competitive and fragmented nature of industry:

Rice industry is a highly competitive industry due to presence of multiple players which results in intense competition from both the organised as well as unorganised players in the industry.

Outlook: Stable

Acuite believes that the outlook on Keshav Overseas will remain 'Stable' over the medium term back by the experience management. The outlook maybe revised to 'Positive' in case of improvement in the revenue and profitability while improving its financial risk profile. Conversely, the outlook maybe revised to 'Negative' in case of decline in the revenue and profitability. Further, deterioration in financial risk profile of the firm may result in 'Negative' outlook.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	75.86	10.68	NA
EBITDA	Rs. Cr.	2.53	1.33	NA
PAT	Rs. Cr.	0.46	0.08	NA
EBITDA Margin	(%)	3.34	12.43	NA
PAT Margin	(%)	0.60	0.76	NA
ROCE	(%)	7.93	6.89	NA
Total Debt/Tangible Net Worth	Times	12.21	3.50	NA
PBDIT/Interest	Times	1.98	7.77	NA
Total Debt/PBDIT	Times	13.25	4.24	NA
Gross Current Assets (Days)	Days	162	128	NA

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

Not Available

Any other information

Not Available

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-17.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. Cr.)	Ratings/Outlook
28-Jul-2017	Cash Credit	Long Term	3.90	ACUITE B/ Stable (Assigned)
	Term Loan	Long Term	4.50	ACUITE B/ Stable (Assigned)
	Bank Guarantee	Short Term	0.10	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	9.90	ACUITE B / Stable (Assigned and Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE B / Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.10	ACUITE A4 (Reaffirmed)
Proposed Facilities	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE B / Stable (Assigned)

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About Acuité Ratings & Research:

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