

Press Release

Kedia Agencies Private Limited

July 03, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs. 10.00 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (read as **SMERA BB minus**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 10.00 crore bank facilities of Kedia Agencies Private Limited. The outlook is '**Stable**'.

Incorporated in 1979 by Mr. Durga Prasad Kedia, Kedia Agencies Private Limited (KAPL) is a Kolkata-based company engaged in the trading of spices and pulses (cloves, cumin seeds, cassia, gambier, dry dates etc). Currently, the business is managed by the third generation of the Kedia family - Mr Deepak Kedia.

Key Rating Drivers

Strengths

- **Experienced management and long track record of operations**

KAPL has a track record of nearly four decades in the trading of spices and pulses.

- **Established relationships with customers and suppliers**

KAPL exports spices and pulses to Pakistan and Bangladesh apart from selling the same in West Bengal, Bihar, Jharkhand and Uttar Pradesh. About 65 per cent revenue is generated from exports with the balance from domestic sales. More than 70 per cent is exported to Pakistan and 30 percent to Bangladesh.

- **Prudent working capital management**

KAPL's prudent working capital management is marked by comfortable Gross Current Asset Days (GCA) of 86 in FY2016 compared to 87 in FY2015. This is mainly on account of low debtor days of 17 in FY2016 compared to 13 in FY2015. The company efficiently manages its receivables thereby realising payments within a period of 10-15 days resulting in 75 per cent utilisation of the cash credit limit. The company on an average maintains inventory of around 60 days.

- **Moderate financial risk profile**

The moderate financial risk profile is marked by low gearing, moderate debt protection metrics and low net worth. The gearing is healthy and stands at 0.53 times in FY2016 compared to 0.76 times in FY2015. The interest coverage ratio is moderate at 1.82 times in FY2016 compared to 1.70 times in FY2015. The net worth also stood low at Rs.3.89 crore in FY2016 against 3.70 times in FY2015. The NCA/TD stood comfortable at 0.12 times in FY2016 as against 0.07 times in FY2015 mainly due to increase in the net cash accruals and decrease in the total debt. The TOL/TNW stands comfortable at 0.72 times in FY2016 compared to 1 times in FY2015.

Weaknesses

• Moderate scale of operations

Despite the long track record of business, the scale of operations of the company has been at a moderate level. The operating income stood at Rs.24.34 crore in FY2016 and Rs.26.74 crore in FY2015.

• Low margins

The operating profit and net profit margins increased in FY2016, but still stand low due to the trading nature of business. The EBITDA margin stood at 2.93 per cent in FY2016 compared to 2.36 per cent in FY2015. The PAT margins stood at 0.77 per cent in FY2016 compared to 0.56 per cent in FY2015.

• Intense competition

The company is exposed to intense competition from several players in the industry.

Analytical Approach

For arriving at the ratings, SMERA has considered the standalone financial and business risk profile of KAPL.

Outlook: Stable

SMERA believes that the outlook on KAPL will remain stable over the medium term owing to its experienced management and long track record of operations. The outlook may be revised to 'Positive' in case the company registers more than envisaged sales and profitability while managing its working capital cycle at the current level. Conversely, the outlook may be revised to 'Negative' in case of failure in achieving the envisaged revenue and profitability or if the working capital cycle gets stretched deteriorating its financial risk profile.

About the Rated Entity - Key Financials

For FY2016, KAPL reported PAT of Rs.0.19 crore on total operating income of Rs.24.34 crore compared with PAT of Rs 0.15 crore on total operating income of Rs.26.74 crore in FY2015.

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

None

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	3.00	SMERA BB- / Stable
PC/PCFC	Not	Not	Not	1.10	SMERA A4+

	Applicable	Applicable	Applicable		
FBN/FBP/FBD/PSFC/FBE	Not Applicable	Not Applicable	Not Applicable	1.05	SMERA A4+
Proposed	Not Applicable	Not Applicable	Not Applicable	1.35	SMERA A4+
Letter of credit	Not Applicable	Not Applicable	Not Applicable	3.50	SMERA A4+

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