

Press Release

Kedia Agencies Private Limited

28 August, 2018

Rating Re-affirmed



Total Bank Facilities Rated*	Rs. 10.00 Cr.
Long Term Rating	ACUITE BB-/Stable (Re-affirmed)
Short Term Rating	ACUITE A4+ (Re-affirmed)

* Refer Annexure for details

Rating Rationale

Acuite has re-affirmed long term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) and short long term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs. 10.00 crore bank facilities of Kedia Agencies Private Limited (KAPL). The outlook is "**Stable**"

Incorporated in 1979 by Mr. Durga Prasad Kedia, Kedia Agencies Private Limited (KAPL) is a Kolkatabased 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

Incorporated in 1979 – KAPL has a long track record of nearly five decades in trading of spices and pulses. The company was promoted by Mr. Durga Prasad Kedia and currently the business is managed by the third generation- Mr. Deepak Kedia. The long track record has resulted in establishing a healthy relationship with customers and suppliers which support their business risk profile.

Prudent working capital management

KAPL's prudent working capital cycle is marked by comfortable Gross Current Asset Days (GCA) of 64 as on 31st March'18 (prov) as compare to 109 days in the previous year. The improvement in GCA days is mainly on account of reduction in inventory holding period to 23 days as on 31st March'18 (prov) from 59 days in the previous year due to high sales in the last quarter. The company efficiently manages its receivables thereby realizing payments within a period of 10 days resulting in 45 per cent utilization in fund based limit.

Weaknesses

Moderate scale of operations

Though KAPL has shown improvement in its operating income still the same remains at the moderate level. The operating income of the company stood at Rs.48.05 cr in FY2018 (prov) compared to Rs.30.08 cr in FY2017.

Moderate financial risk profile

The moderate financial risk profile is marked by modest net worth, comfortable gearing and moderate debt protection metrics. The net worth stands at Rs.4.75 cr as on 31st March'18 (prov) as compare to Rs 4.24 cr in the previous year. The gearing is healthy and stands at 0.63 times as on 31st March'18 (prov) compared to 0.71 times in the previous year. The interest coverage ratio stands moderate at 1.44 times in FY2018 (prov) compared to 2.44 times in the previous year. The NCA/TD stands at 0.13 times in FY2018 (prov) compared to 0.14 times in the previous year.

Intense competition

The company faces intense competition from several players in the same line of business.

Outlook: Stable

Acuite believes the outlook on KAPL will remain stable over the medium term backed by 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. The outlook may be revised to 'Negative' in case of the company fails to achieve envisaged revenue and profitability and its working capital cycle gets stretched or its financial risk profile deteriorates.

Analytical Approach: Acuite has taken a standalone view of the business and financial risk profile of the company.

About the Rated Entity - Key Financials

	Unit	FY18 (Prov)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	48.05	30.08	24.34
EBITDA	Rs. Cr.	1.63	0.88	0.71
PAT	Rs. Cr.	0.34	0.35	0.19
EBITDA Margin	(%)	3.39	2.92	2.93
PAT Margin	(%)	0.70	1.17	0.77
ROCE	(%)	21.69	13.27	11.74
Total Debt/Tangible Net Worth	Times	0.63	0.71	0.53
PBDIT/Interest	Times	1.44	2.44	1.82
Total Debt/PBDIT	Times	1.78	3.24	2.60
Gross Current Assets (Days)	Days	64	109	86

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/criteria-trading.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/criteria-fin-ratios.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
3rd August 17	Cash Credit	Long Term	3.00	ACUITE BB-/Stable (Assigned)
	Packing Credit	Short Term	1.10	ACUITE A4+ (Assigned)
	Bill Discounting	Short Term	1.05	ACUITE A4+ (Assigned)
	Proposed Short Term Loan	Short Term	1.35	ACUITE A4+ (Assigned)
	Letter of Credit	Short Term	3.50	ACUITE A4+ (Assigned)

***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	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BB-/Stable (Re-affirmed)
Packing Credit	Not Applicable	Not Applicable	Not Applicable	1.10	ACUITE A4+ (Re-affirmed)
Bill Discounting	Not Applicable	Not Applicable	Not Applicable	1.05	ACUITE A4+ (Re-affirmed)
Proposed Short Term Loan	Not Applicable	Not Applicable	Not Applicable	1.35	ACUITE A4+ (Re-affirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	3.50	ACUITE A4+ (Re-affirmed)

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About Acuité Ratings & Research:

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