

## Press Release

### Kedia Agencies Private Limited

September 27, 2019



### Rating Reaffirmed

<b>Total Bank Facilities Rated*</b>	Rs. 10.00 Cr.
<b>Long Term Rating</b>	ACUITE BB- / Outlook: Stable
<b>Short Term Rating</b>	ACUITE A4+ (Reaffirmed)

\* Refer Annexure for details

### Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE BB-**' (**read as ACUITE double B minus**) and short-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 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.

### Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the KAPL to arrive at the rating.

### 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 89 as on 31 March, 2019 (provisional) as compare to 62 days in the previous year. The stretched GCA days is mainly on account of delay in receivables period to 38 days as on 31 March, 2019 (provisional) from 4 days in the previous year due to high sales in the last quarter.

#### 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.67.54 crore in FY2019 (provisional) compared to Rs. 49.46 crore in FY2018.

- **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. 5.05 crore as on 31 March, 2019 (provisional) as compare to Rs 4.64 crore in the previous year. The gearing is healthy and stood at 2.33 times as on 31 March, 2019 (provisional) compared to 0.64 times in the previous year. The interest coverage ratio stood moderate at 1.68 times in FY2019 (provisional) compared to 1.61 times in the previous year. The NCA/TD stood at 0.04 times in FY2019 (provisional) 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.

#### Rating Sensitivities

- Substantial improvement in scale of operation
- Deterioration in working capital cycle due to stretch in receivables.

#### Material Covenants

None

#### Liquidity Position- adequate

KAPL has adequate liquidity marked by net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.0.41-0.51 crore during the last three years through 2017-19, while its maturing debt obligations were nil over the same period. The cash accruals of the company are estimated to remain around Rs.0.39-0.79 crore during 2020-22, while its repayment obligations are nil. The operations are efficiently managed as marked by Gross Current Assets (GCA) of 89 days in FY 2019(Provisional). The bill discounting remains overdue for few days which are regularized. The current ratio of the company stood at 2.41 times as on March 31, 2019. Acuité believes that the liquidity of the group is likely to remain adequate over the medium term on account of adequate cash accrual and no major repayments over the medium term.

#### Outlook: Stable

Acuité believes that KAPL will maintain a 'Stable' outlook and continue to benefit over the medium term on account of the extensive experience of its promoters in the industry. The outlook may be revised to 'Positive' if the company registers substantial increase in profitability supported by healthy revenue growth. Conversely, the outlook may be revised to 'Negative' in case of decline in profitability or significant deterioration in the financial risk profile due to higher than expected debt-funded capex or working capital borrowings.

#### About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	67.54	49.46	30.08
EBITDA	Rs. Cr.	1.55	1.44	0.88
PAT	Rs. Cr.	0.45	0.39	0.35
EBITDA Margin	(%)	2.29	2.91	2.92
PAT Margin	(%)	0.66	0.79	1.17
ROCE	(%)	12.83	19.77	13.27
Total Debt/Tangible Net Worth	Times	2.33	0.64	0.71
PBDIT/Interest	Times	1.68	1.61	2.44
Total Debt/PBDIT	Times	7.24	1.98	3.24
Gross Current Assets (Days)	Days	89	62	109

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

Not Applicable

#### Any other information

None

#### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.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-Aug-2018	Cash Credit	Long Term	3.00	ACUITE BB- / Stable (Reaffirmed)
	Packing Credit	Short Term	1.10	ACUITE A4+ (Reaffirmed)
	Bills Discounting	Short Term	1.05	ACUITE A4+ (Reaffirmed)
	Proposed Short Term Loan	Short Term	1.35	ACUITE A4+ (Reaffirmed)
	Letter of Credit	Short Term	3.50	ACUITE A4+ (Reaffirmed)
3-Aug-2017	Cash Credit	Long Term	3.00	ACUITE BB- / Stable (Assigned)
	Packing Credit	Short Term	1.10	ACUITE A4+ (Assigned)
	Bills 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. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BB- / Stable (Reaffirmed)
Packing Credit	Not Applicable	Not Applicable	Not Applicable	1.10	ACUITE A4+ (Reaffirmed)
Bills Discounting	Not Applicable	Not Applicable	Not Applicable	1.05	ACUITE A4+ (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	4.85	ACUITE A4+ (Reaffirmed)

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**About Acuité Ratings & Research:**

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