

Press Release

Kedia Agencies Private Limited

December 22, 2020



Rating upgraded and reaffirmed

Total Bank Facilities Rated	Rs.10.00 crore
Long Term Rating	ACUITE BB/ Stable (Upgraded from ACUITE BB-/Stable)
Short Term Rating	ACUITE A4+ (Reaffirmed)

Rating Rationale

Acuité has upgraded the long term rating to '**ACUITE BB**' (read as **ACUITE double B**) from '**ACUITE BB-**' (read as **ACUITE double B minus**) and reaffirmed the 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**'.

The rating upgrade is driven by consistent improvement in the business risk profile, reflected from a steady increase in operating revenue. The operating revenue of the company has grown from Rs.49.46 crores in FY2018 to Rs.72.83 crores in FY 2020(Provisional) at a CAGR of 13.77 per cent. The rating continues to draw comfort from their adequate liquidity position marked by sufficient net cash accruals against no maturing obligations and low utilization of bank limits.

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

Analytical Approach

Acuité has taken the standalone view of the business and financial risk profile of 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 four decades in trading of spices and pulses. The company was established by Mr. Durga Prasad Kedia and currently, the business is managed by the third generation- Mr. Deepak Kedia. Acuité believes that the extensive experience of the management and long track record of operations has enabled the company to maintain healthy relationships with their key customers and suppliers.

• **Working capital efficient operations**

The working capital efficient operations of the company are marked by Gross Current Assets (GCA) of 78 days in FY2020(Provisional) as compared to 89 days in FY2019. The low level of GCA days is on account of low debtor days which stood at 18 days in FY2020(Provisional) compared to 40 days in FY2019 due to improvement in realization from their export customers. The inventory days also stood low at 39 days in FY2020(Provisional) as compared to 26 days in FY2019. Acuité believes that the working capital operations of the firm will remain almost at the same levels as evident from efficient collection mechanism and comfortable inventory levels over the medium term.

Weaknesses

• **Moderate financial risk profile**

The company's moderate financial risk profile is marked by low net worth, improving gearing and moderate debt protection metrics. The tangible net worth of the company increased to Rs.5.62 crores as on March 31, 2020(Provisional) from Rs.5.08 crores as on March 31, 2019 due to retention of profits in FY2020. Gearing of the company improved to 1.60 times as on March 31, 2020(Provisional) as against 2.32 times as on March 31, 2019.

The total debt of Rs.8.99 crores comprises of unsecured loans taken from directors and corporate bodies which stood at Rs.6.76 crore and working capital of Rs.2.23 crores as on March 31, 2020(Provisional). The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 2.19 times as on March 31, 2020(Provisional) as against 2.56 times as on March 31, 2019. The moderate debt protection metrics of the company is marked by Interest Coverage Ratio at 1.72 times as on March 31, 2020(Provisional) compared to 1.76 times as on March 31, 2019. Acuite believes that going forward the financial risk profile of the company will remain at similar levels due to steady accruals over the medium term.

• **Exposure to agro climatic risk and competitive and fragmented nature of industry**

The availability and prices of the agricultural commodities are highly dependent on the agro climatic conditions. Hence, the operations and profitability of KAPL are exposed to agro-climatic risk. Additionally, the company operates in a highly competitive industry due to the presence of multiple players which results in intense competition from both organized as well as unorganized players in the industry.

Rating Sensitivity

- Improvement of financial risk profile
- Sustenance of working capital operations

Material Covenants

None

Liquidity Profile: Adequate

The company's liquidity is adequate marked by moderate net cash accruals of Rs.0.60 crores as on March 31, 2020(Provisional) as against no debt obligations over the same period. The net cash accruals of the company is estimated to remain around Rs.0.66 crore to Rs.0.96 crore over the medium term against no repayment obligations during the same period. The current ratio stood strong at 3.19 times as on March 31, 2020(Provisional) as compared to 2.34 times as on March 31, 2019. The fund based bank limits are utilized at 44 per cent for 6 months ended October 2020. The company has availed additional COVID loan of Rs.1.13 crores. The cash and bank balances of the company stood at Rs.0.46 crores as on March 31, 2020(Provisional). Going forward, Acuite believes the liquidity of the company will remain at similar levels due to moderate accruals over the medium term.

Outlook: Stable

Acuite believes that the outlook of KAPL will remain 'Stable' over the medium term backed by the long track record of operations and working capital efficient operations. The outlook may be revised to 'Positive' in case the company registers improvement in the financial risk profile along with sustenance of its working capital operations and further improvement of revenues. Conversely, the outlook may be revised to 'Negative' in case of a decline in the company's revenues or profit margins, or in case of deterioration in the company's financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	72.83	68.45
PAT	Rs. Cr.	0.55	0.44
PAT Margin	(%)	0.75	0.64
Total Debt/Tangible Net Worth	Times	1.60	2.32
PBDIT/Interest	Times	1.72	1.76

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Trading Entities – <https://www.acuite.in/view-rating-criteria-61.htm>
- Application of Financial Ratios and Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition – <https://www.acuite.in/view-rating-criteria-52.htm>

Note on complexity levels of the rated instrument
<https://www.acuite.in/view-rating-criteria-55.htm>
Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
27-Sep-19	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)
	Letter of Credit	Short Term	4.85	ACUITE A4+ (Reaffirmed)
28-Aug-18	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)
	Letter of Credit	Short Term	3.5	ACUITE A4+ (Reaffirmed)
	Proposed Short Term Loan	Short Term	1.35	ACUITE A4+ (Reaffirmed)
3-Aug-17	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)
	Letter of Credit	Short Term	3.5	ACUITE A4+ (Assigned)
	Proposed Short Term Loan	Short Term	1.35	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 (Upgraded from ACUITE BB-/Stable)
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)

Contacts

Analytical	Rating Desk
<p>Pooja Ghosh Head - Corporate and Infrastructure Sector Ratings Tel: 033-66201203 pooja.ghosh@acuite.in</p> <p>Shubham Ghosh Analyst - Rating Operations Tel: 033-66201212 shubham.ghosh@acuite.in</p>	<p>Varsha Bist Senior Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in</p>

About Acuité Ratings & Research:

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