

## Press Release

### Kedia Agencies Private Limited

August 26, 2022

### Rating Reaffirmed



| Product                               | Quantum<br>(Rs. Cr) | Long Term Rating                   | Short Term Rating          |
|---------------------------------------|---------------------|------------------------------------|----------------------------|
| Bank Loan Ratings                     | 3.00                | ACUITE BB   Stable  <br>Reaffirmed | -                          |
| Bank Loan Ratings                     | 7.00                | -                                  | ACUITE A4+  <br>Reaffirmed |
| Total Outstanding<br>Quantum (Rs. Cr) | 10.00               | -                                  | -                          |
| Total Withdrawn Quantum<br>(Rs. Cr)   | 0.00                | -                                  | -                          |

### Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE BB**' (read as **ACUITE double B**) and the short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.10.00 Cr bank facilities of Kedia Agencies Private Limited (KAPL). The outlook remains '**Stable**'.

KAPL's rating is driven by the experienced management and the above average financial risk profile of the company. These strengths are, however, partly offset by the modest scale of operations, thin profitability margins and the exposure to agro climatic risk along with the competitive nature of the industry.

### About the Company

Incorporated in 1979, Kedia Agencies Private Limited (KAPL) is based in Kolkata. KAPL is promoted by Mr Deepak Kedia. The company is engaged in the trading of spices and pulses including cloves, cumin seeds, cassia, gambier and many more.

### Analytical Approach

Acuite has considered the standalone business and financial risk profile of KAPL while arriving at the rating.

### Key Rating Drivers

#### Strengths

- Experienced management

KAPL was established by Mr. Durga Prasad Kedia and currently, the business is managed by the third generation- Mr. Deepak Kedia, thereby, enriching the company with continuous extensive experience. Acuite believes that the extensive experience of the management will continue to enable the company to maintain healthy relationships with their key customers and suppliers.

- **Above average financial risk profile**

The above average financial risk profile of the company is marked by improving net worth, comfortable gearing and moderate debt protection metrics. The tangible net worth of the company increased to Rs.11.34 Cr (provisional) as on March 31, 2022 from Rs.6.10 Cr as on March 31, 2021 due to accretion to reserves. Gearing of the company stood comfortable at 0.42 times (provisional) as on March 31, 2022 as against 1.71 times as on March 31, 2021, whereas, Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood comfortable at 0.52 (provisional) times as on March 31, 2022 as against 1.77 times as on March 31, 2021. The moderate debt protection metrics is marked by Interest Coverage Ratio at 1.89 times (provisional) as on March 31, 2022 and Debt Service Coverage Ratio at 1.12 times (provisional) as on March 31, 2022. Net Cash Accruals/Total Debt (NCA/TD) stood low at 0.14 times (provisional) as on March 31, 2022. Acuité believes that going forward the financial risk profile will remain above average over the medium term, in the absence of any major debt funded capex plans.

### **Weaknesses**

- **Modest scale of operations**

KAPL has been in operation for over four decades and has a moderate scale of operations. The company has generated revenues of Rs.69.66 Cr (provisional) in FY2022 as compared to Rs.64.83 Cr in FY2021 due to increase in the orders received over the same period.

- **Thin profitability margins**

The operating margin of KAPL decreased to 1.94 per cent (provisional) in FY2022 as compared to 2.32 per cent in FY2021. Though, the PAT margin slightly rose to 0.89 per cent (provisional) in FY2022 from 0.74 per cent in FY2021. The company has achieved thin margins due to the increasing operating cost over the same period. Acuité believes that going forward the increase in the profitability margins will be key monitorable.

- **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 Sensitivities**

- Increase in the scale of operations while improving the profitability margins
- Sustenance of the capital structure

### **Material covenants**

None

### **Liquidity Position: Adequate**

The company's liquidity is adequate marked by steady net cash accruals of Rs.0.67 Cr (provisional) as on March 31, 2022 against long term debt repayment of Rs.0.51 Cr over the same period. The fund based limit utilization of the company is low at only 2 per cent over the six months ended May, 2022. The company has not availed any loan moratorium. The current ratio stood comfortable at 6.34 times (provisional) as on March 31, 2022 as compared to 2.86 times as on March 31, 2021. The cash and bank balances of the company stood at Rs.0.70 Cr

(provisional) as on March 31, 2022. Moreover, the working capital management of the company is efficient in nature marked by Gross Current Assets (GCA) of 57 days (provisional) as on March 31, 2022 as compared to 79 days in 31st March 2021. Acuité believes that going forward the company will maintain adequate liquidity position due to steady accruals.

### Outlook: Stable

Acuité believes that the outlook of KAPL will remain 'Stable' over the medium term on account of the experienced management, above average financial risk profile and efficient working capital management of the company. The outlook may be revised to 'Positive' in case of significant growth in revenue or operating margins from the current levels. Conversely, the outlook may be revised to 'Negative' in case of a decline in revenue or operating margins, deterioration in financial risk profile or elongation in its working capital cycle.

### Key Financials

| Particulars                   | Unit    | FY 22 (Provisional) | FY 21 (Actual) |
|-------------------------------|---------|---------------------|----------------|
| Operating Income              | Rs. Cr. | 69.66               | 64.83          |
| PAT                           | Rs. Cr. | 0.62                | 0.48           |
| PAT Margin                    | (%)     | 0.89                | 0.74           |
| Total Debt/Tangible Net Worth | Times   | 0.42                | 1.71           |
| PBDIT/Interest                | Times   | 1.89                | 1.77           |

### 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-52.htm>
- Trading Entitle: <https://www.acuite.in/view-rating-criteria-61.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

### Rating History

| Date        | Name of Instruments/Facilities | Term       | Amount (Rs. Cr) | Rating/Outlook   |
|-------------|--------------------------------|------------|-----------------|--|
| 22 Dec 2020 | Cash Credit                    | Long Term  | 3.00            | ACUITE BB   Stable (Upgraded from ACUITE BB-   Stable) |
|             | Packing Credit                 | Short Term | 1.10            | ACUITE A4+ (Reaffirmed)                                |
|             | Letter of Credit               | Short Term | 4.85            | ACUITE A4+ (Reaffirmed)                                |
|             | Bills Discounting              | Short Term | 1.05            | ACUITE A4+ (Reaffirmed)                                |
| 27 Sep 2019 | Packing Credit                 | Short Term | 1.10            | ACUITE A4+ (Reaffirmed)                                |
|             | Letter of Credit               | Short Term | 4.85            | ACUITE A4+ (Reaffirmed)                                |
|             | Bills Discounting              | Short Term | 1.05            | ACUITE A4+ (Reaffirmed)                                |
|             | Cash Credit                    | Long Term  | 3.00            | ACUITE BB-   Stable (Reaffirmed)                       |

|             |                          |            |      |                                  |
|-------------|--------------------------|------------|------|----------------------------------|
| 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)          |
| 03 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

| Lender's Name | ISIN           | Facilities        | Date Of Issuance | Coupon Rate    | Maturity Date  | Quantum (Rs. Cr.) | Rating                          |
|---------------|----------------|-------------------|------------------|----------------|----------------|-------------------|---------------------------------|
| Canara Bank   | Not Applicable | Bills Discounting | Not Applicable   | Not Applicable | Not Applicable | 1.05              | ACUITE A4+   Reaffirmed         |
| Canara Bank   | Not Applicable | Cash Credit       | Not Applicable   | Not Applicable | Not Applicable | 3.00              | ACUITE BB   Stable   Reaffirmed |
| Canara Bank   | Not Applicable | Letter of Credit  | Not Applicable   | Not Applicable | Not Applicable | 4.85              | ACUITE A4+   Reaffirmed         |
| Canara Bank   | Not Applicable | PC/PCFC           | Not Applicable   | Not Applicable | Not Applicable | 1.10              | ACUITE A4+   Reaffirmed         |

## Contacts

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|--|--|
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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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