

Press Release

Khyati Advisory Services Limited

March 23, 2019

Rating Reaffirmed



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

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) and short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) to the Rs. 10.00 crore bank facilities of Khyati Advisory Services Limited (KASL). The outlook is '**Stable**'.

KASL, based at Mumbai, is an ISO 9001:2008 certified one star export house which was incorporated in 1993. The company is promoted by Mr. Ramesh Rughani (Managing Director), Mr. Hiren Raithatha and Mr. Paresh Rughani. The company is engaged in the exports of confectionaries, general provisions, spices and pulses among others to UAE, UK, Japan and USA to name a few.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of KASL to arrive at the rating.

Key Rating Drivers

Strengths

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

The company is in export business since 1993 and has established track record of more than two decades in the same line of business. The promoters of the company possess extensive experience of over two decades and has strong network in domestic as well as international market. This has helped the company to establish strong standing relationships with its customers and suppliers. Further, it gets support from second line of management.

- **Diversified product range and geographically well diversified clientele**

KASL has a diversified range of products including confectionaries, general provisions, toiletries and pharmaceutical which helps it maintain margins and profitability. The company also has well diversified geographical reach in domestic as well as international market. It has clientele located in different countries UAE, UK, Japan and USA to name a few.

- **Comfortable working capital cycle**

The working capital cycle of KASL is comfortable marked by GCA of 88 days in FY2018 and 73 days in FY2017. The Gross Current Asset (GCA) days is mainly dominated by receivable days of 48 in FY2018 as against 36 days in FY2017. The inventory holding days fell from 22 days in FY2017 to 18 days in FY2018. Acuite believes that the efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

Weaknesses

- **Moderate financial risk profile**

The financial risk profile of the company is marked by moderate net worth of Rs.3.43 crore in FY2018 as compared to Rs.3.17 crore in FY2017. The net worth includes unsecured loans from promoters of Rs.0.49 crore. The gearing (debt to equity) of the company stood moderate at 2.13 times in FY2018 as compared to 1.63 times in FY2017. The coverage indicators have been moderate with Interest Coverage Ratio of 1.84 times in FY2018 as compared to 1.91 times in

FY2017 and 1.92 times in FY2016. The NCA/TD stood low at 0.09 times in FY2018 compared to 0.12 times in FY2017. The TOL/TNW also stood moderate at 2.88 times in FY2018 as compared to 3.21 times in FY2017.

• Highly competitive industry and foreign exchange fluctuation risk

KASL operates in a highly fragmented industry with limited entry barriers wherein the presence of a large number of players in the unorganised sector limits the bargaining power with customers. KASL is also exposed to forex fluctuation risk since it exports ~80.00 percent of its total sales to UAE, UK, USA, Malawi, and Tanzania, among others. However, the risk is partially mitigated through forward contracts.

Liquidity position

KASL has moderate liquidity marked by moderate net cash accruals to its maturing debt obligations. The company has generated cash accruals of Rs.0.56-0.68 crore during the last three years through 2017-18, while the maturing debt obligations were Rs.0.60-1.10 crore. The cash accruals of the KASL are estimated to remain around Rs.0.65-0.70 crore, while there are no as such repayment obligations during FY2019-21. KASL's working capital limits were utilised at around 97.20 percent during the last six month period ended January 2019. The current ratio stood at 1.17 times as on March 31, 2018.

Outlook: Stable

Acuite believes that KASL will maintain a 'Stable' outlook over the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while achieving substantial improvement in profitability. Conversely, the outlook may be revised to 'Negative' in case of decline in revenues, profit margins or deterioration in the financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	45.66	55.01	33.25
EBITDA	Rs. Cr.	1.70	1.44	1.36
PAT	Rs. Cr.	0.43	0.37	0.35
EBITDA Margin	(%)	3.73	2.61	4.10
PAT Margin	(%)	0.94	0.66	1.05
ROCE	(%)	16.35	16.80	17.19
Total Debt/Tangible Net Worth	Times	2.13	1.63	2.46
PBDIT/Interest	Times	1.84	1.91	1.92
Total Debt/PBDIT	Times	4.02	3.09	3.93
Gross Current Assets (Days)	Days	88	73	94

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

Not applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.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-Dec-2017	Proposed Long Term Loan	Long Term	2.50	ACUITE BB+ / Stable (Assigned)
	Packing Credit	Short Term	5.00	ACUITE A4+ (Assigned)
	Bills Discounting	Short Term	2.50	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
PC/PCFC	Not Applicable	Not Applicable	Not Applicable	9.80*	ACUITE A4+ (Reaffirmed)
Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	0.20	ACUITE BB+ / Stable (Reaffirmed)

*Sub Limits includes EPC / Foreign PCFC/ CBG of Rs.5.50 crore, PSFC of Rs.3.30 crore and FBP (Bills discounting) of Rs.3.00 crore.

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About Acuité Ratings & Research:

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