

Press Release

Krishna Vanijya Private Limited

31 January, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 40.00 Crore.
Long Term Rating	SMERA BBB-/Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long term rating of '**SMERA BBB-**' (read as SMERA triple B minus) on the Rs. 40.00 crore bank facilities of Krishna Vanijya Private Limited (KVPL). The outlook is '**Stable**'.

The Kolkata-based Krishna Vanijya Private Limited (KVPL) was promoted by Mr. Kashi Prasad Bajaj in 1989. The company is engaged in the trading of paper and paper products and is one of the largest distributors of imported art board and art paper in Eastern India. The company procures materials from the local market as also from China.

List of key rating drivers and their detailed description:

Strengths

Established track record of operations, experienced management

The company was promoted by Mr. Kashi Prasad Bajaj in 1989. Mr. Bajaj possesses experience of four decades in the paper industry. He is ably assisted by Directors Mr. Vivek Bajaj and Mr. Ashutosh Bajaj who have more than 15 years of experience in the industry. SMERA believes that KVPL will benefit from its established position in the industry.

Reputed suppliers

The company procures paper and paper products from Hainan Jinhai Pulp & Paper Co Ltd, Asia Pulp, Paper Co. Ltd, Gold East Trading (Hong Kong) Co. Ltd to name a few and supplies paper products to ITC-PSPD (Paperboards and Specialty Papers Division). The company enjoys long term relations with suppliers.

Moderate financial risk profile

The financial risk profile is moderate marked by adjusted gearing (debt-equity) of 0.97 times in FY2017 as compared to 1.01 times in FY2016. The adjusted net worth stood at Rs.25.85 crore in FY2017 as compared to Rs.24.68 crore in FY2016. The net worth mainly includes borrowings from promoters and accumulated profits. The Interest Coverage Ratio stood at 1.58 times in FY2017 as against 1.49 times in FY2016. The Debt Service Coverage Ratio stood at 1.29 times in FY2017 as compared to 1.34 times in FY2016.

Diversified product range

KVPL has a diversified range of products including art paper, art board; cast coated paper, maplitho paper, wood free paper to name a few which help the company maintain its margins and profitability.

Weaknesses

Working capital intensive operations

KVPL's operations are working capital intensive marked by high GCA days of 113 in FY2017 and 129 days in FY2016. The high GCA days are mainly dominated by debtor days of 67 in FY2017 and 75 days in FY2017.

Competitive and fragmented industry

KVPL operates in a highly fragmented industry with limited entry barriers wherein the presence of a large number of players in the unorganised sector limits its bargaining power with customers.

Foreign exchange fluctuation risk

KVPL is exposed to forex fluctuation risk since it imports 60 percent of its purchases from China, Indonesia and other countries. However, the risk is mitigated to an extent through use of forward contracts for 70 percent of its total purchases. The company incurred forex losses of Rs. 0.08 crore for FY2016-17.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of Krishna Vanijya Private Limited to arrive at the rating.

Outlook: Stable

SMERA believes that KVPL will maintain a Stable outlook and continue to benefit over the medium term from its promoters' extensive industry experience and financial risk profile. The outlook may be revised to 'Positive' in case of sustainable improvement in working capital cycle. Conversely, the outlook may be revised to 'Negative' if the group's revenue and profitability decline.

About the Rated Entity -Key Financials

Particulars	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	187.97	151.43	136.26
EBITDA	Rs. Cr.	7.97	6.41	5.59
PAT	Rs. Cr.	1.17	1.30	0.99

EBITDA Margin	(%)	4.24	4.23	4.11
PAT Margin	(%)	0.62	0.86	0.73
ROCE	(%)	15.29	13.90	27.04
Total Debt/Tangible Net Worth	Times	0.97	1.01	0.76
PBDIT/Interest	Times	1.58	1.49	1.41
Total Debt/PBDIT	Times	3.14	3.88	3.19
Gross Current Assets (Days)	Days	113	129	120

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Trading Entities - <https://www.smera.in/criteria-trading.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

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

None

Rating History (Upto last three years)

Not Applicable

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	20.00	SMERA BBB- / Stable
Overdraft*	Not Applicable	Not Applicable	Not Applicable	20.00	SMERA BBB-/ Stable

*includes sub-limit of Working capital Demand Loan of Rs 16.00 crore, Import Letter of Credit of Rs 20.00 crore, Buyers credit of Rs 20.00 crore, Import Invoice Financing Facility of Rs 10.00 crore.

Contacts:

Analytical	Rating Desk
Vinayak Nayak, Head – Ratings Operations Tel: +91-22-6714 1190 Email: vinayak.nayak@smera.in	Varsha Bist Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in
Amogh Kharkar, Rating Analyst, Tel: +91-22-6714 1315 Email: amogh.kharkar@smera.in	

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, Dun & Bradstreet Information Services India Private Limited (D&B) and leading public and private sector banks in India. SMERA is registered with SEBI as a Credit Rating Agency and accredited by Reserve Bank of India. For more details, please visit www.smera.in.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.