

Press Release

Krishna Vanijya Private Limited

January 09, 2020



Rating Upgraded

Total Bank Facilities Rated	Rs. 50.00 crore (Enhancement from Rs.40 crore)
Long Term Rating	ACUITE BBB-/ Stable (Upgraded from ACUITE BB+)

* Refer Annexure for details

Rating Rationale

Acuité has upgraded the long term rating to '**ACUITE BBB-**' (**read as ACUITE triple B minus**) from '**ACUITE BB+**' (**read as ACUITE double B plus**) to the Rs.50.00 crore bank facilities of Krishna Vanijya Private Limited(KVPL). The outlook is '**Stable**'.

Reason for upgrade

The rating was downgraded to ACUITE BB+ from ACUITE BBB- via rationale dated December 17, 2019. The downgrade was on account of information risk. However, they have now cooperated with Acuité in furnishing information for the review process.

Krishna Vanijya Private Limited (KVPL) was incorporated in 1989, by Mr. Kashi Prasad Bajaj. Currently, the day to day operations are managed by Mr. Vivek Bajaj and Mr. Ashutosh Bajaj. 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 imports paper, paper board and specialty papers from China and Indonesia and also procures paper from domestic paper mills. The company has a warehousing facility of more than 200000 sq. feet located at Domjur, Howrah(West Bengal).

Analytical Approach

Acuité has considered the standalone business and financial risk profile of KVPL to arrive at the rating.

Key Rating Drivers

Strengths

Experienced Management

The company was incorporated in the year 1989. One of the promoters, Mr. Kashi Prasad Bajaj has an experience of more than three decades in the paper and paper products industry. The other directors, Mr. Vivek Bajaj and Mr. Ashutosh Bajaj, have more than fifteen years of experience in this industry. The long track record of operations and experience of the promoters has helped the company in establishing comfortable relationships with their key customers and suppliers.

Product portfolio diversity and increase in revenues and profitability

Krishna Vanijya Private Limited has registered revenues of Rs.245.23 crores in FY 2019 as compared to revenues of Rs.210.07 crores in FY 2018 and Rs.187.97 in FY 2017 achieving a CAGR growth of 9.27 per cent between 2017 and 2019. The growth in revenues is driven by the continuous demand of paper products and the company's product portfolio diversity. KVPL has a diversified range of paper products including art paper, art board and many more products for various end use applications. The company caters to around 5000 vendors. The operating margin has remained fairly stable at 4.51 per cent in FY 2019 as compared to 4.33 per cent in FY 2018 and 4.24 per cent in 2017. Similarly, PAT margins have witnessed gradual improvement with margins at 1.52 per cent in FY 2019 as against 1.38 per cent in FY 2018 and 0.62 per cent in FY 2017. Hence, Acuité believes that the product diversification

will boost profitability metrics and cash accruals in future.

Comfortable financial risk profile

The company's financial risk profile is marked by moderate net worth, comfortable gearing and healthy debt protection metrics. The tangible net worth of the company improved to Rs.48.04 crores as on FY2019 from Rs.24.39 crores as on FY2018 due to retention of profits and infusion of unsecured loans as quasi equity. Unsecured loans from promoters have increased from Rs.28.83 crores in FY'2018 to Rs. 34.40 crores in FY'2019. Acuité has treated these unsecured loans as quasi equity to the extent it is subordinated to bank debt, i.e. Rs.12.083 crores as on March 31, 2018 and Rs.32 crores as on March 31, 2019 respectively. The company has comfortable gearing at 0.62 times as on FY2019 as against 1.55 times as on FY2018. The debt of Rs.29.69 crore mainly consists of working capital borrowing of Rs.27.29 crore and unsecured loan of Rs.2.40 crore as on 31st March 2019. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood healthy at 0.90 times as on FY2019 as against 1.95 times as on FY2018. The debt protection metrics of the company is marked by Interest Coverage Ratio at 1.93 times as on FY2019 as against 1.74 times as on FY2018 and Net Cash Accruals to total Debt (NCA/TD) stood at modest levels of 0.14 times for FY 2019 as compared to 0.09 times for FY 2018. Acuité believes that going forward the financial risk profile of the company will remain comfortable backed by steady accruals and no major debt funded capex plans.

Weaknesses

Working Capital intensive operations

The working capital intensive nature of operations is marked by high Gross Current Assets(GCA) of 128 days in FY 2019 as compared to 115 days in FY 2018. The GCA days are backed by debtor period of 77 days in FY 2019 as compared to 67 days in FY 2018. Customers are usually allowed credit of around 30 to 90 days depending on the length of relationship with them. The inventory days stood at 48 days in FY 2019 as against 40 days in FY 2018. The company maintains inventory as they deal in varied types of paper products. Acuité expects the business of the company to remain working capital intensive backed by moderate inventory which they are required to maintain and the extended credit allowed to their customers.

Competitive and fragmented industry

The company functions in a highly fragmented industry with the presence of a large number of players which eventually limits its bargaining power with customers.

Rating Sensitivity

- Improvement in working capital management
- Sustenance of revenue and profitability

Material Covenants

None

Liquidity Profile

The company's liquidity is adequate marked by moderate net cash accruals of Rs.4.21 crores in FY2019 as against no long term debt repayment over the same period. The current ratio stood healthy at 2.09 times. The fund based limit remains utilized at 55 percent over seven months ended October, 2019. The cash and bank balances of the company stood at Rs.0.46 crores as on 31st March 2019 as compared to Rs.0.34 crores as on 31st March 2018. However, the company's operations are working capital intensive as reflected by high Gross Current Assets (GCA) of 128 days in FY2019 as against 115 days in FY2018. The GCA days are backed by high debtor period of 77 days in FY 2019 as compared to 67 days in FY 2018. Acuité believes that going forward the company will maintain healthy liquidity position backed by steady cash accruals and no capex plans over the medium term.

Outlook: Stable

KVPL will maintain a Stable outlook and continue to benefit over the medium term from its promoters'

extensive industry experience and product diversity. The outlook may be revised to 'Positive' in case of sustainable improvement in revenues and profitability margins. Conversely, the outlook may be revised to 'Negative' if the company's revenue and profitability decline leading to lower net cash accruals and continued working capital intensive operations.

About the Rated Entity - Key Financials

	Unit	FY19(Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	245.23	210.07
PAT	Rs. Cr.	3.73	2.89
PAT Margin	(%)	1.52	1.38
Total Debt/Tangible Net Worth	Times	0.62	1.55
PBDIT/Interest	Times	1.93	1.74

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

None

Any other information

Not Applicable

Applicable Criteria

- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Application of Financial Ratios and Adjustments: <https://www.acuite.in/view-rating-criteria-20.htm>
- Default Recognition - <https://www.acuite.in/criteria-default.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
17-Dec-2019	Cash Credit	Long Term	20.00	ACUITE BB+ Issuer not co-operating*
	Secured Overdraft	Long Term	20.00	ACUITE BB+ Issuer not co-operating*
28-Mar-2019	Cash Credit	Long Term	20.00	ACUITE BBB- Issuer not co-operating*
	Secured Overdraft	Long Term	20.00	ACUITE BBB- Issuer not co-operating*
31-Jan-2018	Cash Credit	Long Term	20.00	ACUITE BBB- /Stable(Assigned)
	Secured Overdraft	Long Term	20.00	ACUITE BBB- /Stable(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	30.00	ACUITE BBB-/Stable (Upgraded)

Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE BBB-/Stable (Upgraded)
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About Acuité Ratings & Research:

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