

Press Release

Krishna Vanijya Private Limited

January 23, 2023

Rating Upgraded



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	50.00	ACUITE BBB- Stable Upgraded	-
Total Outstanding Quantum (Rs. Cr)	50.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

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**) on the Rs.50.00 Cr bank facilities of Krishna Vanijya Private Limited (KVPL). The outlook remains '**Stable**'. The ratings were downgraded vide our rationale dated April 07, 2021 for information risk and subsequently reaffirmed on July 06, 2022.

Rationale for the rating

The rating upgrade takes into cognizance the substantial increase in the scale of operations of the company marked by growth in revenues in FY2022 as well as in 9MFY2023, coupled with established clientele relationships and rising demand for packaging products. The rating also derives comfort from the experienced management and the above average financial risk profile of the company reflected by the comfortable leverage ratios. These strengths are however countered by KVPL's moderate working capital operations, and the fiercely competitive packaging paper industry.

About the Company

Incorporated in 1989, Krishna Vanijya Private Limited (KVPL) is headed by Mr. Kashi Prasad Bajaj, Mr. Vivek Bajaj and Mr. Ashutosh Bajaj. The company is engaged in the trading of paper and paper products. KVPL imports paper, paper board and specialty papers from China and Indonesia and also procures paper from domestic paper mills.

Analytical Approach

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

Key Rating Drivers

Strengths

- Established track record of operations supported by long-term association with reputed clientele

KVPL has established long presence of over three decades in the paper and paper products trading industry aided by the experience of the promoter, Mr. Kashi Prasad Bajaj. The company has maintained long term relationships with the customers, CDC Printers Private Limited, Sati Paper Traders, The Calcutta Publishers, to name a few, and has established associations with suppliers like, ITC Limited PSPD, Gold East Trading (Hongkong) Co. Ltd., BAHF Papers Mills Ltd, thereby, ensuring smooth flow of orders and execution. Acuité derives comfort from the company's long standing operations and the clientele relationships.

- **Significant improvement in the scale of operations**

KVPL achieved revenues of Rs.244.84 Cr in FY2022 as compared to revenues of Rs.173.54 Cr in FY2021, thereby resulting 41 per cent revenue growth over the period. Further, the company has achieved revenues of Rs.281.10 Cr till December, 2022 (provisional). The upturn in revenues is driven by the regular order flow and execution along with the rising demand for paper packaging from the e-commerce sector. Acuité believes that, going forward, the growing demand for environment-friendly packaging will result in the development of biodegradable packaging solutions, which will in turn support the company's revenue growth.

- **Above average financial risk profile**

The company's above average financial risk profile is marked by improving networth base along with low gearing and comfortable debt protection metrics. The tangible net worth of the company increased to Rs.46.91 Cr as on 31st March, 2022 from Rs.42.41 Cr as on 31st March, 2021 due to accretion of reserves. Acuité has treated unsecured loans of Rs.18.26 Cr as a part of networth as the management has undertaken to maintain this amount in the business over the medium term. Gearing of the company stood comfortable at 0.72 times as on 31st March, 2022 as compared to 0.76 times as on 31st March, 2021. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 0.93 times as on 31st March, 2022 as against 0.98 times as on 31st March, 2021. The Interest Coverage Ratio stood comfortable at 2.21 times as on 31st March, 2022. The Net Cash Accruals/Total Debt (NCA/TD) stood low at 0.16 times as on 31st March, 2022. Acuité believes that going forward the financial risk profile of the company will improve backed by improving accruals and no major debt funded capex plans.

Weaknesses

- **Moderate working capital management**

The moderate working capital management of the company is marked by improving Gross Current Assets (GCA) of 115 days in FY2022 as compared to 156 days in FY2021. The modest GCA days are primarily on account of the moderate collection cycle. The debtor period stood at 91 days in FY2022 as compared to 118 days in FY2021. Customers are usually allowed credit of around 30 to 95 days depending on the length of relationship with them. However, the inventory period stood comfortable at 24 days in FY2022 as compared to 37 days in FY2021. Acuité believes that, going forward, the working capital management of the company will remain around similar levels owing to the comfortable inventory holding period but modest collection mechanism.

- **Highly competitive and fragmented industry**

The paper industry is highly competitive and fragmented marked by the presence of many organized and unorganized players in this industry, thus putting pressure on the profitability margins of the company. However, this risk is partially mitigated by company's experienced management and long-standing relationships with its reputed clientele.

Rating Sensitivities

- Sustenance of the revenue growth and improvement in profitability parameters
- Sustenance of the capital structure
- Elongation in working capital cycle

Material covenants

None

Liquidity position: Adequate

The company's liquidity position is adequate marked by the fund based bank limit utilisation at only 13 per cent over the six months ended September, 2022. The net cash accruals stood at Rs.5.43 Cr in FY2022 as against no long term debt repayment over the same period. The current ratio stood robust at 4.11 times as on 31st March, 2022 as compared to 4.50 times as on 31st March, 2021. The unencumbered cash balance increased to Rs.0.31 Cr in FY2022 from Rs.0.24 Cr in FY2021. However, the moderate working capital management of the company is marked by GCA days of 115 days in FY2022 as compared to 156 days in FY2021 due to moderate debtor period. Acuite believes that going forward the liquidity position of the company will improve on account of improving accruals.

Outlook: Stable

Acuite believes that the outlook on KVPL will remain 'Stable' over the medium term on account of the experience of the promoters, long track record of operations, the improving business risk profile and the above average financial risk profile. The outlook may be revised to 'Positive' in case the company continues to register consistent growth in revenues while improving their profit margins and sustaining the capital structure. 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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	244.84	173.54
PAT	Rs. Cr.	4.51	2.63
PAT Margin	(%)	1.84	1.51
Total Debt/Tangible Net Worth	Times	0.72	0.76
PBDIT/Interest	Times	2.21	1.61

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

None

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

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
06 Jul 2022	Cash Credit	Long Term	30.00	ACUITE BB+ (Issuer not co-operating*)
	Secured Overdraft	Long Term	20.00	ACUITE BB+ (Issuer not co-operating*)
07 Apr 2021	Cash Credit	Long Term	30.00	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Secured Overdraft	Long Term	20.00	ACUITE BB+ (Downgraded and Issuer not co-operating*)
09 Jan 2020	Cash Credit	Long Term	30.00	ACUITE BBB- Stable (Upgraded from ACUITE BB+)
	Secured Overdraft	Long Term	20.00	ACUITE BBB- Stable (Upgraded from ACUITE BB+)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
CITI Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	50.00	ACUITE BBB- Stable Upgraded (from ACUITE BB+)

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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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