

Press Release

Kalp Impex

August 02, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 5.50 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B+** (read as **ACUITE B plus**) on the Rs. 5.50 crore bank facilities of Kalp Impex. The outlook is '**Stable**'.

Kalp Impex (KI), a Maharashtra based trading firm was established in 1993 by Ms. Rani Jain, Mr. Vinod Kumar Jain and Mr. Rajiv Dagariya. The firm is engaged in trading and exports of agro -commodities such as sunflower seeds, cherries, spices, cereals, among others.

Key Rating Drivers

Strengths

- **Established track of operation & experienced management**

The firm was established in 1993, thus having operational track record of 25 years in agricultural industry. The Partners, Mr. Vinod Kumar Jain and Mr. Rajiv Dagariya collectively possess six decades of experience in the aforementioned line of business.

- **Comfortable Working Capital Operations**

KI has comfortable working capital operations marked by Gross Current Assets (GCA) of 72 days in FY2018 (Provisional) as against 59 days in FY2017. The GCA days are mainly dominated by debtors of 48 days in FY2018 (Provisional) as against 29 days in FY2017.

Weaknesses

- **Average financial risk profile**

KI has average financial risk profile marked by moderate Interest Coverage Ratio of 1.60 times for FY2018 (Provisional) as against 1.68 times for FY2017. Net worth of the firm stood at Rs.2.99 crore as on March 31, 2018 (Provisional) as against Rs.2.69 crore as on March 31, 2017. The gearing stood at 2.51 times as on 31 March, 2018 (Provisional) as compared to 2.39 times as on 31 March, 2017 on account of unsecured loans brought in by the partners. The debt of Rs.7.49 crore mainly consists of unsecured loans of Rs.1.84 crore and working capital borrowings of Rs.5.55 crore as on 31 March, 2018 (Provisional). Debt Service Coverage Ratio (DSCR) stood at 1.53 times for FY2018 (Provisional) as against 1.62 times in FY2017. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 4.25 times as on 31 March, 2018 (Provisional) as against 5.51 times as on 31 March, 2017. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.07 times as on 31 March, 2018 (Provisional) as against 0.12 times as on 31 March, 2017.

- **Foreign Exchange Fluctuation Risk**

The profit margins are susceptible to foreign exchange fluctuation risk as the firm exports most of its goods such as sunflower seeds, pulses, raisins and others to global companies based in Belgium, Germany, Portugal, United Kingdom and other countries.

- **Competitive and fragmented industry**

KI operates in a highly competitive and fragmented industry characterised by large number of unorganised players.

Analytical Approach

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

Outlook: Stable

Acuité believes that KI will maintain a 'Stable' business risk profile over the medium term. The firm will continue to benefit from its experienced management. The outlook may be revised to 'Positive' in case the firm improves its financial risk profile and scale of operations. Conversely, the outlook may be revised to 'Negative' in case of further deterioration in the financial risk profile and lower than expected profit margins.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	72.29	96.23	84.88
EBITDA	Rs. Cr.	1.36	1.94	1.63
PAT	Rs. Cr.	0.39	0.64	0.63
EBITDA Margin	(%)	1.88	2.01	1.92
PAT Margin	(%)	0.54	0.66	0.74
ROCE	(%)	12.76	18.60	30.60
Total Debt/Tangible Net Worth	Times	2.51	2.39	3.32
PBDIT/Interest	Times	1.60	1.68	1.76
Total Debt/PBDIT	Times	5.45	3.29	4.77
Gross Current Assets (Days)	Days	72	59	57

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

None

Any other information

Not Available

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)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
EPC*	Not Applicable	Not Applicable	Not Applicable	5.50	ACUITE B+/Stable (Assigned)

*Fully interchangeable with FBP

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About Acuité Ratings & Research:

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