Press Release

Pawankumar Kedia And Co

January 08, 2019

Rating Assigned

Total Bank Facilities Rated*	Rs. 30.00 Cr.
Long Term Rating	ACUITE BB / Outlook: Stable

** Refer Annexure for details*

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB**' **(read as ACUITE double B)** to the Rs. 30.00 crore bank facilities of Pawankumar Kedia And Co (PKC). The outlook is **'Stable'**.

PKC is engaged in the business of trading cotton yarn. The registered office of the firm is located at Mumbai (Maharashtra). The firm was incorporated in November 2016 by the Kedia family.

Analytical Approach

Acuité has considered the consolidated business and financial risk profile of Pawankumar Kedia & Co. and Kedia Texfab and Industries Private Limited together referred to as the Kedia Group to arrive at the rating. The consolidation is on account of common Directors, similar line of business and operational synergies.

Key Rating Drivers

Strengths

- **Extensive business experience of the promoter**

  The promoters of the Group, Mr. Pawankumar Kedia and family have been involved in the cotton trading industry for past two decades through its group company, Kedia Enterprises. Being into similar line of business for so long, they have developed significant industry insights and developed healthy relations with the customers and suppliers. Acuité believes that the group would sustain its existing business risk profile on the back of promoters' extensive industry experience and the long standing relations it has with its customers and suppliers.

- **Comfortable financial risk profile**

  Kedia Group's financial risk profile is comfortable marked by healthy tangible net worth, healthy gearing and moderate debt protection metrics. Net worth of the group stood at Rs.63.84 crore (includes interest bearing (12 percent) quasi capital of Rs.40.66 crore) against Rs.47.52 crore in previous year (includes interest bearing (12 percent) quasi capital of Rs.24.02 crore). The gearing (debt-to-equity) is healthy at 0.63 times as on March 31, 2018 against 0.49 times in earlier year. Interest coverage ratio stood moderate at 1.45 times for March 31, 2018 against 1.80 times for the previous year. NCA/TD ratio stood at 0.10 times as on 31 March, 2018.

Weaknesses

- **Thin net profit margins**

  Operating margins of the group stood at 2.22 percent in FY18 against 3.30 percent in the previous year. Given the trading nature of business, net profit margins remained thin at 0.63 percent in FY18.

- **Profits are susceptible to fluctuations in raw material prices**

  The group's margins are highly susceptible to changes in cotton prices. Price of cotton is stated by government through Minimum Support Price (MSP). However, the purchase price depends on the prevailing demand-supply situation which restricts bargaining power with the suppliers as well. Any adverse movement of cotton prices further impacts the profitability. Material cost is ~96 percent of total operating income in FY2018.

- **Operating in highly competitive and fragment textile industry**
  The group is operating in a highly competitive and fragment textile industry which impacts its profitability.

Outlook: Stable

Acuité believes that the group will maintain 'Stable' outlook over the medium term from its promoters' extensive industry experience. The outlook may be revised to 'Positive' in case the group reports substantial growth in revenues and profitability. Conversely, the outlook may be revised to 'Negative' in case of decline in the group's revenues or profitability or a higher working capital requirement deteriorates capital structure or liquidity position of the group.

About the Group

Kedia Group has been engaged in the cotton trading business since 1993 through its associate concern Kedia Enterprises. The group is promoted by Mr. Manoj Kumar Kedia and family.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	571.83	446.03	360.07
EBITDA	Rs. Cr.	12.68	14.70	9.81
PAT	Rs. Cr.	3.65	5.38	4.94
EBITDA Margin	(%)	2.22	3.30	2.72
PAT Margin	(%)	0.64	1.21	1.37
ROCE	(%)	18.11	24.43	23.23
Total Debt/Tangible Net Worth	Times	0.63	0.49	0.62
PBDIT/Interest	Times	1.45	1.80	1.70
Total Debt/PBDIT	Times	2.53	1.33	1.69
Gross Current Assets (Days)	Days	105	96	141

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

None

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
- Consolidation Of Companies - https://www.acuite.in/view-rating-criteria-22.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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE BB / Stable

Contacts

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in Jyotsna Nebhnani Analyst - Rating Operations Tel: 022 49294074 jyotsna.nebhnani@acuiteratings.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in

About Acuité Ratings & Research:
Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and 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. Since then, it has assigned more than 6,000 credit 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 Mumbai.

Disclaimer: *An Acuité 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. Acuité 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, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité 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. Acuité 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.acuite.in) for the latest information on any instrument rated by Acuité.*