

Press Release

Kolluri Impex Private Limited

December 28, 2020

Rating Assigned



Total Facilities Rated*	Rs.15.00 crore
Long Term Rating	ACUITE BB/Outlook: Stable (Assigned)
Short Term Rating	ACUITE A4+ (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned the long term rating of '**ACUITE BB**' (read as **ACUITE double B**) and the short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.15.00 crore bank facilities of Kolluri Impex Private Limited (KIPL). The outlook is '**Stable**'.

Kolluri Impex Private Limited (KIPL) was incorporated in the year 2012 as a private limited company by the Kolluri family. The company is engaged in the trading business of coal, sponge iron and steel products.

About the Group

The Kolluri Group (WG) consists of two companies, i.e. Kolluri Impex Private Limited and Pavan Traders.

Pavan Traders (PT) was incorporated in the year 2008 as a proprietorship concern by proprietor Mr. Pavan Kumar Kolluri and managed by both Mr. Kumar and his father Mr. Hari Babu. The firm also engaged in the trading business of coal, sponge iron and steel products.

Analytical Approach

Acuité has considered the consolidated business and financial risk profiles of Kolluri Impex Private Limited and Pavan Traders together known as 'Kolluri Group'. The consolidation is due to common management and similar line of business. Extent of Consolidation: Full.

Key Rating Drivers

Strengths

• Experienced Management with established track record of operations

The Kolluri Group (KG) was initially established in the year 2008 by the Kolluri Family. Kolluri Impex Private Limited was incorporated in the year 2012 after incorporation of Pavan Traders as a proprietorship firm in 2008 by the proprietor Mr. Pavan Kumar along with his father Mr. Hari Babu. The group has established track record of more than a decade in trading business of coal, sponge iron and steel products. The promoters of the group possess vast experience of over three decades in this industry and are ably assisted by an experienced second line of management.

Acuité believes that group will benefit from experienced management which will help the group to maintain long standing relations with its customers and suppliers in the medium term.

• Moderate financial risk profile

The group has moderate financial risk profile marked by moderate net worth, gearing and debt protection measures. The tangible net worth of the group stood moderate at Rs.22.82 crore as on March 31, 2020 (provisional) against Rs.22.20 crore as on March 31, 2019. The gearing (debt-equity) remained moderate at 1.61 times as on March 31, 2020 (provisional) against 1.30 times as on March 31, 2019. The total debt outstanding of Rs.36.64 crore as on 31 March 2020 (provisional) consist of working capital borrowing of Rs.20.91 crore and unsecured loans of Rs.9.02 crore and secured loan of Rs.6.71 crore. The coverage indicator of the group stood at moderate levels. The ICR stood at 2.02 times in FY2020 (provisional). Total outside liabilities to tangible net worth stood at 1.95 times as on 31 March, 2020 (provisional). The Net cash accruals to Total debt (NCA/TD) stood at 0.10 times for FY2020 (provisional). The Return on Capital Employed (RoCE) stood at 15.71 per cent in FY2020 (provisional).

Acuite believes that in the absence of any further significant capex plans, the financial risk profile of the group is expected to remain moderate in near to medium term.

Weaknesses

• Decline in revenue from operations and profitability

The revenue from operations of the group has declined in FY2020 (provisional) which stood at Rs.250.60 crore as against Rs.255.63 crore in FY2019. The decline was majorly on account of decline in demand of the traded goods. However, the operating margin improved to 3.54 per cent in FY2020 (provisional) from 3.09 per cent in FY2019 on account of increase in price realizations. Further, Profit after Tax (PAT) margins slightly improved to 1.37 per cent in FY2020 (provisional) from 1.33 per cent in FY2019.

Acuite believes that the revenue from operations will continue to decline in FY2021 on account of decline in demand of the traded goods till Q2FY2021 due to covid19 pandemic.

• Highly fragmented and competitive industry

The group operates in a highly competitive and fragmented industry and faces tough competition from large number of organized as well as unorganized players affecting the margins.

Rating Sensitivities

- Improvement in scale of operations and profitability
- Stretch in the working capital management leading to any negative impact on the liquidity profile

Material Covenants

None

Liquidity position: Adequate

The group has adequate liquidity marked by net cash accruals as compared to its maturing debt obligations. The group generated cash accruals of Rs.3.69 crore in FY2020 (provisional) against maturing debt obligations of around Rs.1.15 crore during the same period. The cash accruals are estimated to remain in the range of Rs.1.78-4.41 crore during 2021-23, with repayment obligation, will remain around Rs.1.16 crore during the same period. The group maintains cash and bank balances of Rs.0.01 crore as on March 31, 2020 (provisional). The current ratio is healthy at 2.21 times as on March 31, 2020 (provisional). Acuite believes that the liquidity of the group is likely to remain adequate over the medium term on account of moderate cash accruals and no major capex.

Outlook: Stable

Acuite believes that KG's outlook will remain 'Stable' over the medium term from its experienced management and moderate financial risk profile. The outlook may be revised to 'Positive' in case of higher than expected growth in its revenues and profitability while maintaining its working capital. The outlook may be revised to 'Negative' in case of a steep decline in revenues and profitability or stretch in its working capital management leading to the deterioration of its financial risk profile and liquidity position.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	250.60	255.63
PAT	Rs. Cr.	3.42	3.41
PAT Margin	(%)	1.37	1.33
Total Debt/Tangible Net Worth	Times	1.61	1.30
PBDIT/Interest	Times	2.02	2.07

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

India Ratings, vide its press release dated 03 Mar, 2020 has denoted the rating of KIPL as IND BB/IND A4+; ISSUER NOT COOPERATING' on account of lack of adequate information required for monitoring of ratings.

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-61.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies - <https://www.acuite.in/view-rating-criteria-60.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.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. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	11.00	ACUITE BB/Stable (Assigned)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE A4+ (Assigned)

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President - Corporate and Infrastructure Sector Tel: 022-49294041 aditya.gupta@acuite.in Nitul Dutta Analyst - Rating Operations Tel: 022-49294053 nitul.dutta@acuite.in	Varsha Bist Senior Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research:

Acuité Ratings & Research 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.