



Infomerics Valuation And Rating Pvt. Ltd.

Press Release
Kamla Enterprises
March 03, 2020

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Rating Assigned
1.	Proposed Long Term Bank Facilities- Term Loan	7.00	IVR B+/Stable Outlook (IVR Single B Plus with Stable Outlook)
2.	Proposed Short Term Bank Facilities – Bank Guarantee	2.50	IVR A4 (IVR A Four)
3.	Short Term Bank Facilities – Bank Overdraft	4.00	IVR A4 (IVR A Four)
	Total	13.50	

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Kamla Enterprises (KL) draws comfort from its experienced promoters, long term contract with its reputed clientele which minimises the counter party default risk to an extent. However the rating strengths are partially offset by proprietorship nature of its constitution, small scale of operation and intense competition in the operating spectrum. The ratings also consider its leveraged capital structure with moderate debt protection metrics and working capital intensive nature of operations.

Key Rating Sensitivities:

Upward Factor:

- Growth in scale of operations with improvement in profitability leading to improvement in debt protection metrics and liquidity on a sustained basis
- Improvement in the capital structure

Downward factor:

- Deterioration in scale of operation and/or profitability impacting the liquidity on a sustained basis



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- Moderation in the capital structure with deterioration in overall gearing to more than 1x and impairment in debt protection metrics

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced proprietor

The day to day operation of the entity is looking after by Mr. Prakash Bhardwaj, proprietor, along with a team of experienced personnel. The proprietor has over one decades of experience in the medicine trading business. Earlier, Mr Prakash owned a retail chemist shop in Kukreja hospital –Delhi from 2000 to 2007 and later started it's own proprietorship.

Reputed clientele which minimises the counter party default risk

The entity is into trading of medicines to Delhi Government under DGEHS scheme. Government of Delhi being the sole clientele for the concern, it provides comfort against the payments and mitigated the counter party default risk.

Key Rating Weaknesses

Proprietorship nature of constitution

Kamla Enterprise, being a proprietorship entity, is exposed to inherent risk of proprietor's capital being withdrawn at the time of personal contingency and entity being dissolved upon the retirement/insolvency of the proprietor. Furthermore, proprietorship entities have restricted access to external borrowing as credit worthiness of proprietor would be the key factors affecting credit decision for the lenders.

Small scale of operation

KL is relatively a small player in medicine with total operating income of Rs 18.84 crore and PAT of Rs 0.60 crore, respectively in FY19. Furthermore, the total capital employed was also modest at Rs. 10.38 crore as on March 31, 2019. The small scale restricts the financial flexibility



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of the entity in times of stress. EBIDTA margin and PAT margin were 4.32% and 3.17% respectively in FY19 (3.68% and 3.32% in FY18).

Intense competition

Kamla Enterprise mainly operates in Delhi, which is a metro city and major industrial thus; there are many players with limited product differentiation. On the account of tender based work acquisition mechanism, margins are restricted for the concern.

Working capital intensive nature of operations

The operations of the entity is working capital intensive as the entity needs to procure medicines from distributor depending upon discount received and credit period extended and on the other hand provide higher credit period to its customer – Delhi Government (ranging from 3 to 4 months).

Leveraged capital structure with moderate debt protection metrics

The concern has leveraged capital structure marked by overall gearing at 4.77 times as on March 31, 2019 due to its low net worth base and dependence on bank borrowings and unsecured loans to fund its working capital requirements. However, ISCR remained satisfactory at 2.11 times in FY19.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Trading Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity - Stretched



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The liquidity position of the entity is expected to remain stretched in near to medium term due to its low cash accruals coupled and high repayment obligations in FY21 and FY22. Also due to high competitiveness in the operating spectrum profit margin are expected to remain below average which will increase the higher dependency upon the working capital debt.

About the Entity

Kamla Enterprise has started its operation from 2007 as a proprietorship entity by one Mr. Prakash Bhardwaj of Delhi. Since inception, the entity is engaged into supplying of medicines to Delhi Government under DGEHS scheme. The works and controlling office is located at Udyog Nagar area in Delhi. The day to day operations of the entity is looking after by Mr. Prakash, proprietor, along with a team of experienced personnel.

Financials (Standalone):

(Rs. crore)

For the year ended*/As on	31-03-18	31-03-19
	Audited	Audited
Total Operating Income	19.11	18.87
EBITDA	0.70	0.82
PAT	0.64	0.60
Total Debt	6.53	8.59
Tangible Net worth	1.40	1.80
EBITDA Margin (%)	3.68	4.32
PAT Margin (%)	3.32	3.17
Overall Gearing Ratio (x)	4.65	4.77

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Nil

Any other information: Nil



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Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17
1.	Proposed Bank Facilities –Term Loan	Long Term	7.00	IVR B+/Stable	-	-	-
2.	Proposed Bank Facilities – Bank Guarantee	Short Term	2.50	IVR A4	-	-	-
3.	Bank Overdraft	Short Term	4.00	IVR A4			

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.



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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Proposed Bank Facilities – Term Loan	-	-	-	7.00	IVR B+/Stable
Proposed Bank Facilities – Bank Guarantee	-	-	-	2.50	IVR A4
Short Term Bank Facilities-Over Draft	-	-	-	4.00	IVR A4