



## Press Release

**K S Commodities Private Limited**

**April 08, 2024**

### Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term/ Short Term Bank Facilities	43.00	IVR BBB-/ Stable/ IVR A3 (IVR Triple B Minus with Stable Outlook/ IVR A Three)	Assigned	Simple
Short Term Bank Facilities	7.00	IVR A3 (IVR A Three Plus)	Assigned	Simple
<b>Total</b>	<b>50.00</b>	<b>Rupees Fifty crore only</b>		

**Details of Facilities are in Annexure 1**

### Detailed Rationale

Infomerics Valuation and Rating Private Limited (IVR) has assigned long term/ short term rating of IVR BBB- with a Stable outlook and IVR A3 and short term rating of IVR A3 for the bank loan facilities of K S Commodities Private Limited (KSCPL).

The ratings assigned to the bank facilities of KSCPL draw comfort from a strong track record of business operations, experienced management, comfortable capital structure and strong debt coverage indicators. The ratings also take into consideration the growing scale of operations despite thin profitability margins due to the trading nature of the business and a moderate operating cycle. The ratings, however, are constrained by highly fragmented nature of business with intense competition, regulatory risk in the agro commodity industry and exposure to foreign currency fluctuations.

The 'Stable' outlook indicates a low likelihood of rating change over the medium term. IVR believes the company's business and financial risk profile will be maintained over the medium term.



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IVR has principally relied on the audited financial results of the company up to March 31, 2023, and projected financials for FY2024-FY2026, and publicly available information/ clarifications provided by the company's management.

### **Key Rating Sensitivities:**

#### **Upward Factors**

- Substantial scaling up its operations while maintaining stable profitability margins.
- Improvement in capital structure and coverage indicators

#### **Downward Factors**

- Elongation in the operating cycle impacting liquidity.
- Dip in margins and moderation of capital structure.

### **List of Key Rating Drivers with Detailed Description**

#### **Key Rating Strengths**

##### **Strong track record of business operations and experienced management**

KSCPL is promoted by Mr. Narain Mohan Narang, Mr. Atish Narang and Ms. Saumya Narang. The Promoters have rich experience of more than a decade in the trading and export of agricultural products. Further, longstanding presence of the promoters in the industry has helped the company to establish strong relationships with customers and suppliers.

##### **Comfortable capital structure and strong debt coverage indicators**

The financial risk profile is comfortable marked by moderate gearing levels and strong debt protection metrics. The net worth of the company stood at INR 29.84 crore as on 31st March 2023 as against INR 23.41 crore as on 31st March 2022. The Overall Gearing ratio improved from 1.20x as on March 31, 2022, to 0.54x as on March 31, 2023 due to lower utilisation of working capital borrowings and increase in tangible net worth of the company in FY23. The debt protection metrics improved marked by Interest Coverage Ratio of 6.55x times in FY23 (FY22: 3.79x). Total Debt to GCA stood at 1.70 years in FY23 as against 6.21 years in FY22. This improved on account of increase in GCA and decline in debt due to lower utilisation in



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working capital borrowings. Debt Service Coverage Ratio stood at 4.76x in FY23 (FY22: 2.87x).

### **Growing scale of operations albeit thin profitability margins due to the trading nature of the business:**

TOI of KSCPL has been increasing for the last three years i.e. from Rs. 332.45 Crore in FY21 to Rs. 542.61 Crore in FY22 and further to Rs. 543.72 Crore in FY23 due to higher average sales realisation and sales volume of its key product sugar. The profitability margins of the company like EBITDA margin increased by ~136 bps in FY23 i.e. from 1.67% in FY22 to 3.03% in FY23 mainly due to higher margin earned on traded goods and reduction in manufacturing and admin expenses. PAT margin also increased by ~90 bps i.e., from 0.78% in FY22 to 1.69% in FY23 in line with EBITDA margin.

### **Moderate Operating Cycle**

Cash conversion cycle stands moderate at 24 days in FY23 (FY22: 25 days). The average collection period is 10 days (PY:18 days) and average inventory holding period stands at 17 days in FY23 (FY22: 15 days). The average creditors period stands at 2 days in FY23 as against 8 days in FY22.

### **Key Rating Weaknesses**

#### **Highly fragmented nature of business with intense competition**

The agro commodity sector is highly fragmented with presence of numerous small players and low entry barriers. The returns in this sector tend to be cyclical due to the inherent nature of agro based industry. Indian agriculture sector is highly monsoon dependent. Seasonal factors have a direct bearing on crop production and incidence of infestation which affects the demand. Moreover, the overall value addition in the trading industry is very low (grading, sorting and packing activities) which translates into thin profitability.

#### **Regulatory risk in the agro commodity industry**



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The price and trade of commodities is highly vulnerable to export restrictions by the government depending on domestic demand-supply scenario and level of inflation. Therefore, shifts in government policies have the potential to impact the trading volumes and profit margins of industry players. Additionally, as a company engaged in agro-commodity trading, it is exposed to risks associated with agricultural factors such as weather conditions, changing crop patterns, and the cyclicity inherent in the agricultural business.

### **Exposure to foreign currency fluctuations**

As exports constitute a significant percentage of the turnover, the company remains exposed to currency fluctuations to the extent of unhedged exposure. However, it has a hedging mechanism in place to reduce any impact of fluctuation in foreign exchange rates through forward contracts booked with authorised dealer.

### **Analytical Approach:** Consolidated.

For arriving at the ratings, IVR has considered the consolidated financials of KSCPL, including its wholly owned subsidiary company, Kyra Trade DMCC, Dubai, considering the parent and subsidiary have same promoters and management as well as strong operational and financial linkage.

### **Applicable Criteria:**

[Rating Methodology for Trading Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Criteria of assigning rating outlook](#)

[Instrument/Facility wise Default Recognition & Post-Default Curing Period](#)

[Consolidation of Companies](#)

### **Liquidity – Adequate**

KSCPL's liquidity is adequate marked by ~14.64% average utilisation of fund-based working capital limits and full utilisation of non-fund based working capital limits for last 12 months ended February 2024. It expects sufficient cushion in cash accrual against its scheduled debt



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repayment obligation. The Current Ratio of the company stood above unity at 2.07x as on March 31, 2023, respectively. The unencumbered cash and bank balance as on March 31, 2023, is Rs. 20.79 Crore. The cash operating cycle of the company is of 24 days in FY23 (FY22: 25 days).

### **About the Company**

K. S. Commodities Private Limited (KSCPL) was incorporated in July 1998 and is promoted by Mr. N. Mohan Narang, Mr. Aatish Narang and Ms. Saumya Narang. The company is currently engaged in trading of agricultural products like sugar, wheat flour, rice and soybean etc. The company is a Government recognised three star export house. It has a wholly owned subsidiary named Kyra Trade DMCC in Dubai, which is also engaged in trading of agricultural commodities like sugar, rice etc.

### **Financials (Consolidated):**

For the year ended/As on*	30-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	542.61	543.72
EBITDA	9.06	16.49
PAT	4.25	9.17
Total Debt	28.05	16.13
Tangible Net Worth	23.41	29.84
<b>Ratios</b>		
EBITDA Margin (%)	1.67	3.03
PAT Margin (%)	0.78	1.69
Overall Gearing Ratio (x)	1.20	0.54

\*Classification as per Infomerics' standards

### **Financials (Standalone):**

For the year ended/As on*	30-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	435.61	501.31
EBITDA	6.92	14.85
PAT	3.46	14.76
Total Debt	25.17	16.13
Tangible Net Worth	17.83	26.71
<b>Ratios</b>		
EBITDA Margin (%)	1.59	2.96



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PAT Margin (%)	0.79	2.91
Overall Gearing Ratio (x)	1.41	0.60

\*Classification as per Infomerics' standards

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating History for last three years:**

Sr. No.	Name of Instrument/ Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2021-20
1.	Cash Credit	Long Term/Short Term	43.00	IVR BBB-/ Stable/ IVR A3	-	-	-
2.	Standby Letter of Credit (SBLC)	Short Term	6.205	IVR A3	-	-	-
3.	Proposed – LCs/BGs	Short Term	0.795	IVR A3	-	-	-

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### About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt





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instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit [www.infomerics.com](http://www.infomerics.com).

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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
Long Term/ Short Term Bank Facility- Cash Credit	-	-	-	43.00	IVR BBB-/ Stable/ IVR A3
Short Term Bank Facility- SBLC	-	-	-	6.205	IVR A3
Proposed Facility – LCs/ BGs	-	-	-	0.795	IVR A3



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### Annexure 2: List of companies considered for consolidated analysis:

Group Companies	Extent of Consolidation (%)
K S Commodities Private Limited	100%
Kyra Trade DMCC, Dubai	100%

### Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-KSCommodities-apr24.pdf>

**Annexure 4: Detailed explanation of covenants of the rated instrument/facilities:** Not Applicable

**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](http://www.infomerics.com).