

## Kabra Commercial Limited

June 15, 2022

### Ratings

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	0.75	CARE BB-; Stable (Double B Minus; Outlook: Stable )	Reaffirmed
Short Term Bank Facilities	19.15	CARE A4 (A Four )	Reaffirmed
<b>Total Bank Facilities</b>	<b>19.90</b> <b>(₹ Nineteen Crore and Ninety Lakhs Only)</b>		

Details of instruments/facilities in Annexure-1.

### Detailed rationale and key rating drivers

The ratings assigned to the bank facilities of Kabra Commercial Limited (KCL) continues to remain constrained by its small scale of operations albeit improved in FY22, moderate debt coverage indicators and intense competition due to low entry barriers. However, the ratings continue to derive strength from extensive industry experience of the promoters with established relationship with reputed clients and comfortable capital structure.

### Rating sensitivities

#### Positive factors – Factors that could lead to positive rating action/upgrade:

- Increase in scale of operation (turnover > Rs.20 crore) while sustaining its current operating margin on a sustained basis.

#### Negative factors – Factors that could lead to negative rating action/downgrade:

- Any further decline in scale of operation (turnover below Rs.10 crore).
- Sharp decline in investments, mainly in Fixed deposits/Mutual funds leading to increase in net debt levels.

### Detailed description of the key rating drivers

#### Key Rating Weaknesses

**Small scale of operations albeit improvement in FY22:** Though the total operating income of the company has increased ~63% y-o-y from Rs.7.81 crore in FY21 to Rs. 12.75 crore in FY22, the scale of operation continues to remain small. The absolute PAT of the company has remained stable at Rs.0.67 crore in FY22 (Rs. 0.61 Cr in FY21). The small scale restricts the financial flexibility of the company in times of stress and it suffers on account of lack of economies of scale.

**Declining Profitability Margins:** The PAT margins have reduced from 7.7% to 5.26% majorly owing to increased transportation costs during the year. The transportation costs are the major cost driver for the company which has accounted around ~96% of total cost of sales for FY22. The increasing fuel cost and the demand supply mismatch of trucks required for transportation has pushed up the overall cost of transportation.

**Moderate debt coverage indicators:** The debt coverage indicator remained moderate with the total debt to GCA ratio of 15.04x (14.64x in FY21) which has marginally deteriorated due to the increase in the limit of working capital borrowings when compared to FY21.

**Intense competition due to low entry barriers:** The company is into coal handling and related services apart from coal trading which is highly fragmented and competitive in nature due to low entry barriers. Further all the entities in the industry, trading the same products with a little product differentiation resulting into price driven sales. Intense competition restricts the pricing flexibility of the company in the bulk customer segment hence the players in the industry do not have pricing power and are exposed to competition induced pressures on profitability.

#### Key Rating Strengths

**Extensive industry experience of the promoters:** The company is into coal handling and related services apart from coal trading business since 1982 and accordingly has long operational track record. Furthermore, Mr. Rajesh Kumar Kabra, having around three decades of experience in this line of business, looks after the day-to-day operations of the company. He is supported by other promoter Mr. Ramawtar Kabra, having around five decades of experience in this line of business and other non-executive and independent directors along with a team of experienced professional. By virtue of its long presence and satisfactory track record in the industry, it has been able to cater to reputed clients in the sector like paper, cement, power, steel and amongst others.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

**Comfortable capital structure:** The debt profile of the company only constitutes working capital borrowings. Further majority of such borrowings are backed by fixed deposits, thereby leading to much lower net debt as against gross debt levels. The capital structure of the company remained comfortable marked by overall gearing ratio of 1.02x as on March 31, 2022 (0.91x as on March 31, 2021).

**Liquidity: Stretched**

The liquidity of the company is stretched marked by gross cash accruals of Rs.0.67 crore only generated in FY22 and high average fund-based utilisation at around 92% during the last 12 months ended Mar'22. However, it has Nil debt repayment obligation in FY23.

**Analytical approach:** Standalone

**Applicable criteria**

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Service Sector Companies](#)

**About the Company**

Incorporated in 1982, Kabra Commercial Limited (KCL), is promoted by Mr. Rajesh Kumar Kabra. KCL is listed on the Bombay Stock Exchange and Calcutta Stock Exchange. KCL provides coal handling and other related services including coal liaising services, logistics of coal (through railway), and quality checks for domestic and imported coal. This apart, it also engaged in share trading activities. KCL provides its services to a diversified client base in Cement, Power, Steel and other industries.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)
Total operating income	7.81	12.75
PBILDT	-0.43	-0.22
PAT	0.60	0.67
Overall gearing (times)	0.91	1.02
Interest coverage (times)	-0.59	-0.28

A: Audited

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

**Any other information:** Not Applicable

**Rating history for the last three years:** Please refer Annexure-2

**Covenants of the rated instruments/facilities:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of various instruments rated for this company:** Annexure-4

**Annexure-1: Details of instruments/facilities**

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Bank Overdraft		-	-	-	0.75	CARE BB-; Stable
Non-fund-based - ST-ILC/FLC		-	-	-	19.15	CARE A4

**Annexure-2: Rating history for the last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Bank Overdraft	LT	0.75	CARE BB-; Stable	-	1)CARE BB-; Stable (24-Aug-21)	1)CARE BB; Stable (07-Aug-20)	1)CARE BB; Stable (03-Sep-19)
2	Non-fund-based - ST-ILC/FLC	ST	19.15	CARE A4	-	1)CARE A4 (24-Aug-21)	1)CARE A4+ (07-Aug-20)	1)CARE A4+ (03-Sep-19)

\*Long term/Short term.

**Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities: NA****Annexure-4: Complexity level of various instruments rated for this company**

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - LT-Bank Overdraft	Simple
2	Non-fund-based - ST-ILC/FLC	Simple

**Annexure-5: Bank lender details for this company**

To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of the rated instruments:** CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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### About us:

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