

## Kabra Commercial Limited

July 04, 2023

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	0.75	CARE BB-; Stable	Reaffirmed
Short Term Bank Facilities	19.15	CARE A4	Reaffirmed

Details of instruments/facilities in Annexure-1.

### Rationale and key rating drivers

The reaffirmation of ratings assigned to the bank facilities of Kabra Commercial Limited (KCL) continues to be constrained by small scale of operation, moderate debt coverage indicators and intense competition due to low entry barriers. The ratings, however, continue to derive comfort from the experience of the promoters, established relationship with reputed clients, satisfactory profitability margins and comfortable capital structure.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Increase in scale of operation (turnover > Rs.25 crore)

#### Negative factors

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

### Analytical approach: Standalone

#### Outlook: Stable

The Stable outlook on the long-term rating reflects CARE Ratings expectation that KCL will continue to benefit from its association with reputed clientele leading to sustenance of its turnover, margins and capital structure.

### Detailed description of the key rating drivers:

#### Key weaknesses

**Small scale of operation:** The scale of operations of the company remained small marked by total operating income of Rs.11.67 crore in FY23 as against Rs.12.75 crores in FY22. The PAT has improved from Rs. 0.67 crore in FY22 to Rs. 1.33 crore in FY23 majorly owing to reduction in direct expenses (transportation charges paid) 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.

**Moderate debt coverage indicators:** Though the debt coverage ratios improved marked by total debt to GCA ratio of 8.06x (15.04x in FY22) on account of increase in GCA, the same continues to remain moderate.

**Intense competition due to low entry barriers:** The company is into coal handling and related services which is highly fragmented and competitive in nature due to low entry barriers. Further, all the entities in the industry trade the same products with little product differentiation resulting in 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

<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

## Key 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.

**Satisfactory profitability margins:** The PAT margin in FY23 has improved to 11.39% in FY23 vis-à-vis 5.26% in FY22, this improvement was marked by reduction in cost of sales which improved by 11.82% and increased income from non-operating income sources.

**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 has continued to improve on account of accumulation of profits into reserves as overall gearing continued to improve from 1.02x as on March 31, 2022 to 0.86x as on March 31, 2023.

### Liquidity: Adequate

The company has adequate liquidity position with gross cash accruals of Rs. 1.36 crore generated in FY23 as against Rs. 0.06 crore scheduled repayment obligations. Further it has lien marked investments of Rs. 16.55 crore in fixed deposits and has free cash and cash equivalent of Rs. 0.09 crore as on March 31, 2023. The average fund-based utilisation of the company remained around 65%. The company has Nil long term debt repayment obligation of in FY24.

### Environment, social, and governance (ESG) risks: Not Applicable

### 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](#)

[Policy on Withdrawal of Ratings](#)

## About the company and industry

### Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Services	Services	Transport Services	Transport Related Services

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. KCL provides its services to a diversified client base in Cement, Power, Steel and other industries.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (P)
Total operating income	12.75	11.67
PBILDT	-0.22	0.23
PAT	0.67	1.33
Overall gearing (times)	1.02	0.86
Interest coverage (times)	-0.28	0.31

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'

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

**Any other information:** Not Applicable

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

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

**Complexity level of various instruments rated:** Annexure-4

**Lender details:** Annexure-5

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

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	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 2023-2024	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
1	Fund-based - LT-Bank Overdraft	LT	0.75	CARE BB-; Stable	-	1)CARE BB-; Stable (15-Jun-22)	1)CARE BB-; Stable (24-Aug-21)	1)CARE BB; Stable (07-Aug-20)
2	Non-fund-based - ST-ILC/FLC	ST	19.15	CARE A4	-	1)CARE A4 (15-Jun-22)	1)CARE A4 (24-Aug-21)	1)CARE A4+ (07-Aug-20)

\*Long term/Short term.

**Annexure-3: Detailed explanation of covenants of the rated instruments/facilities:** Not Applicable

#### Annexure-4: Complexity level of the various instruments rated

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

#### Annexure-5: Lender details

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

**Note on the 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](mailto:care@careedge.in) for any clarifications.

### Contact us

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### About us:

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