



Rating Rationale

KCGS Enterprises Pvt Ltd

12 Sep 2018

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹20.00 Crores of KCGS Enterprises Pvt Ltd.

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based Cash Credit	16.00	Long Term	BWR BB- (Pronounced as BWR Double B minus) Outlook: Stable
Non Fund Based Inland Letter of Credit	4.00	Short Term	BWR A4 (Pronounced as BWR A Four)
Total	20.00	INR Twenty Crore Only	

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR principally relied upon audited financials upto FY17, provisional financials of FY18, publicly available information and information/clarification provided by the management.

The ratings draw comfort from experienced promoters, association with renowned brand like reliance Jio and comfortable debt protection metrics. The ratings are however constrained by high gearing level and low tangible network and thin profitability margins.

The ability of the Company to improve its scale of operations, profitability margins, gearing level, working capital efficiency & management of cash flows for servicing debt obligations and improvement in overall financial risk profile shall be the key rating sensitivities.

Description of Key Rating Drivers

Credit Strengths:

- **Experienced Promoters:** Company is currently being managed by Mr subodh Kumar Agarwal and Ms Madhulika Agarwal. They are in the same business for past two years and are also associated with consumer durables and jewellery business for a long period of time.



- **Comfortable & improved Debt Protection metrics:** Debt protection metric such as ISCR and DSCR improved to 3.72X and 3.55X respectively for FY18(P) as against 2.49X and 2.17X for FY17.
- **Association with brand Like Reliance Jio:** Company currently has dealership of Reliance Jio and engaged in providing recharge services, JIO mobile handsets, accessories and routers as well.

Credit Risks:

- **High Gearing & Low Tangible Networth:** Although gearing of the company improved to 3.23x as at 31/03/2018 as against 6.07x for FY17, but still it is on higher side.
- **Thin Profitability Margins:** Profitability margins such as operating margins and profit margins stood at 2.55X and 1.80X respectively for FY18(p) which are considered to be thin due to trading nature of the business.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Outlook: Stable

BWR believes the **KCGS Enterprises Pvt Ltd** business risk profile will be maintained over the medium term. The ‘Stable’ outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profitability margins show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profitability margins show lower than expected figures.

About the Company

Incorporated in the year 2013, KCGS Enterprises Pvt Ltd has dealership of Reliance Jio and engaged in providing recharge services, Jio Mobile handsets, JIO accessories and Routers as well. Company started its commercial operations in the year 2016. Entity is currently being managed by Mr Subodh Kumar Agarwal, Ms Madhulika Agarwal and Ashutosh Agarwal who are also associated with other businesses. Its registered and Corporate office is located at Varanasi, Uttar Pradesh.

Company Financial Performance

Key Parameters	Units	2016	2017	2018
Result Type		Audited	Audited	Provisional
Operating Revenue	₹ Cr	24.11	164.82	101.35
EBITDA	₹ Cr	0.08	2.42	2.59

PAT	₹ Cr	(0.43)	1.06	1.82
Tangible Net worth	₹ Cr	0.87	3.23	5.05
TOL/TNW	Times	11.11	6.07	3.23
Current Ratio	Times	1.05	1.10	1.24

Rating History for the last three years

Instrument /Facility	Current Rating			Rating History		
	Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2017	2016	2015
Fund Based Cash Credit	Long Term	16.00	BWR BB- Outlook: Stable	NA	NA	NA
Non Fund Based Inland Letter of Credit	Short Term	4.00	BWR A4			
Total		20.00	₹ Twenty Crore Only			

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Trading Entities](#)
- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website



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For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 13,22,500 Cr. In addition, BWR has rated over 7000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹62,000 Cr have been rated.

BWR has rated over 30 PSUs/Public Sector banks, as well as many major private players. BWR has a major presence in ULB rating of nearly 102 cities

DISCLAIMER

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