May 20, 2025

Kalpesh Corporation: Ratings reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term – Fund based – Cash Credit	60.00	60.00	[ICRA]BB (Stable); reaffirmed
Long-term – Fund based – Term Loans	3.04	5.78	[ICRA]BB (Stable); reaffirmed and assigned for enhanced amount
Long-term/ Short-term – Unallocated	0.62	0.22	[ICRA]BB (Stable)/ [ICRA]A4; reaffirmed
Total	**63.66**	**66.00**	

**Instrument details are provided in Annexure I*

Rationale

The rating reaffirmation of Kalpesh Corporation (KC) factors in the partners' extensive experience in the psyllium industry, processing and trading of agro commodities and established relationships with customers. The ratings continue to derive comfort from the company's proximity to raw material sources because of its presence in Unjha (Gujarat) as well as export of products (located near Mundra port). ICRA notes that in FY2025, KC's revenues fell by around 10% to Rs. 340.8 crore, driven by the moderation in realisations of psyllium husk. The operating profit margin (OPM) remained low at 3.8% (provisional) in FY2025, though improved from 3.1% in FY2024, owing to low value addition in the business, high raw material prices and intense competition in the industry. The firm's scale is likely to improve gradually, going forward. ICRA notes the firm's established position in the export market and its reputed customers from the FMCG and pharmaceutical industries, with which it enjoys long relationships.

However, the ratings are constrained by the firm's thin margins along with low debt protection metrics, which are unlikely to improve in the near term. Further, the ratings are impacted by the firm's stretched liquidity position, as reflected by its high utilisation of the working capital limit, which is inherent to the business and is likely to continue in the near term. The ratings are also impacted by the intensely competitive and the fragmented industry structure, which limits the firm's pricing flexibility, and KC's exposure to agro-climatic risks as well as to regulatory policies with respect to export incentives. As the firm is present in the food industry, its quality and reputation related risks are high, which could impact its pricing strength and business. ICRA also notes the potential adverse impact on the firm's net worth and the gearing levels in case of any substantial withdrawal from the capital accounts, given its constitution as a partnership concern.

The Stable outlook on the long-term rating reflects ICRA's opinion that the firm is likely to sustain its operating metrics even though its revenue may remain volatile on account of fluctuations in prices. Further, the outlook underlines ICRA's expectation that the firm's high utilisation of the working capital limit will be funded in a manner that it can durably maintain its debt protection metrics commensurate with the existing rating.

Key rating drivers and their description

Credit strengths

Extensive experience of the partners – Established in 1992, the firm's partners have extensive experience of more than three decades in the agro-commodity business. The firm mainly manufactures and exports psyllium husk powder. The key partners, Mr. Jitendra Kumar Nayak and Mr. Ramesh Kumar Nayak, manage the operations of the firm.

Reputed customer profile – KC enjoys established relationships with global majors in FMCG and pharmaceutical sectors, resulting in repeat orders from such key customers.

Location-specific advantages – The firm has a location specific advantage owing to its presence in Unjha, Gujarat and its proximity to the Mundra port, which provides easy access to raw materials (psyllium seeds and other commodities) and enables quicker export of its products.

Credit challenges

Financial profile characterised by thin profit margins and weak debt coverage metrices – The firm's operating income fell by ~10% on account of a sharp decline in the realisations of psyllium husk. Although the operating profit margin witnessed some improvement to 3.8% in FY2025 (from 3.1% in FY2024), due to higher drop in raw material cost than the decline in realisations, it still remains thin owing to low value addition in operations, volatility in raw material prices and the competitive nature of the industry. Consequently, the debt protection metrics of the firm remained weak, as reflected by an interest cover of 1.8 times and total debt/OPBTIDA of 6.6 times in FY2025 (on a provisional basis).

Intense competition and exposure to regulatory changes and quality-related risks – The profitability of the firm remains vulnerable to regulatory changes pertaining to export incentives from the Government as it derives the major portion of revenue from the export market. Further, low value-added nature of operations and intense competition in the industry exert pressure on the profitability. As the firm is present in the food industry, its quality and reputation related risks are high, which could impact the firm's pricing strength and business.

Vulnerability of profitability to fluctuations in raw material prices and foreign exchange rates – The firm's profitability remains exposed to agro-commodity prices, which depend on the agro-climatic conditions and the demand-supply situation in the market. Further, with the firm generating more than 80% of its sales from the export market, its profit margins remain susceptible to foreign exchange rate fluctuations. However, the management's extensive experience and 100% hedging practice (in case of international business) mitigate the risk to some extent.

Risk associated with partnership firm – KC is exposed to the risks inherent to a partnership firm, including capital withdrawal, which could negatively impact its net worth and capital structure.

Liquidity position: Stretched

The liquidity position of the firm continues to be stretched on account of low internal accruals and low level of free cash balances. This has continued to result in high utilisation (averaged at 98% for the 12-month period ended March 2025) of the working capital limits availed from the bank. The company has long-term debt repayment obligations of Rs. 1.34 crore and Rs. 1.58 crore in FY2026 and FY2027, respectively. However, internal accrual generation is expected to be sufficient to meet the debt repayment obligations.

Rating sensitivities

Positive factors – ICRA could upgrade the ratings if the liquidity position of the firm improves and it demonstrates an improvement in its profitability while maintaining revenues, leading to higher cash accruals on a sustained basis. Specific credit metrics that could result in ratings upgrade includes an interest cover of more than 2.5 times on a sustained basis.

Negative factors – Pressure on the ratings could arise if there is any significant decline in the firm's scale and profitability, leading to lower cash accruals and a deterioration in its debt protection metrics on a sustained basis. Any major debt-funded capex, or higher-than-expected capital withdrawal by the partners or a stretch in the working capital cycle, impacting the capital structure and the liquidity profile, could also result in ratings downgrade.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	[Corporate Credit Rating Methodology]
Parent/Group support	Not applicable
Consolidation/Standalone	Standalone

About the company

Established in 1992, Unjha, Gujarat-based Kalpesh Corporation manufactures psyllium (isabgol) husk powder from psyllium seeds/husk. KC also undertakes cleaning and sorting of other agro commodities such as cumin seeds and fennel seeds on a job-work basis. KC is promoted and managed by Mr. Jitendra Kumar Nayak and Mr. Ramesh Kumar Nayak, who have more than two decades of experience in the agro-based business.

Key financial indicators (audited)

Kalpesh Corporation	FY2024	FY2025*
Operating income	379.7	340.8
PAT	3.0	3.4
OPBDIT/OI	3.1%	3.8%
PAT/OI	0.8%	1.0%
Total outside liabilities/Tangible net worth (times)	2.8	2.8
Total debt/OPBDIT (times)	7.8	6.6
Interest coverage (times)	1.8	1.8

*Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations; Amount in Rs. Crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current ratings (FY2026)			Chronology of rating history for the past 3 years			
		Type	Amount rated (Rs. crore)	Date & rating in FY2026	Date & rating in FY2025	Date & rating in FY2024		Date & rating in FY2023
				May 20, 2025	-	Mar 15, 2024	Aug 04, 2023	Dec 21, 2022
1	Fund based – Cash credit	Long-term	60.00	[ICRA]BB (Stable)	-	[ICRA]BB (Stable)	[ICRA]B+ (Stable) ISSUER NOT COOPERATING	[ICRA]B+ (Stable) ISSUER NOT COOPERATING
2	Fund based – Term loan	Long-term	5.78	[ICRA]BB (Stable)	-	[ICRA]BB (Stable)	[ICRA]B+ (Stable) ISSUER NOT COOPERATING	[ICRA]B+ (Stable) ISSUER NOT COOPERATING
3	Unallocated	Long-term/ Short-term	0.22	[ICRA]BB (Stable)/ [ICRA]A4	-	[ICRA]BB (Stable)/ [ICRA]A4	[ICRA]B+(Stable) ISSUER NOT COOPERATING/ [ICRA]A4 ISSUER NOT COOPERATING	[ICRA]B+(Stable) ISSUER NOT COOPERATING/ [ICRA]A4 ISSUER NOT COOPERATING
4	Fund based – Cash credit	Short-term	0.00	-	-	-	[ICRA]A4 ISSUER NOT COOPERATING	[ICRA]A4 ISSUER NOT COOPERATING

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Fund based – Cash credit	Simple
Long-term – Fund based – Term loan	Simple
Long-term/Short-term – Unallocated	Not applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: Click here

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Long-term – Fund based – Cash credit	NA	9.50%	NA	60.00	[ICRA]BB (Stable)
NA	Long-term – Fund based – Term loan	FY2023	9.25%	FY2028	2.18	[ICRA]BB (Stable)
NA	Long-term – Fund based – Term loan	FY2025	9.50%	FY2030	3.60	[ICRA]BB (Stable)
NA	Short-term/Long-term – Unallocated	NA	NA	NA	0.22	[ICRA]BB (Stable)/ [ICRA]A4

Source: Company

Please click here to view details of lender-wise facilities rated by ICRA

Annexure II: List of entities considered for consolidated analysis: Not applicable

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Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

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