

Press Release

KSP Auto & Forge Private Limited

April 17, 2019



Rating Upgraded and Assigned

Total Bank Facilities Rated*	Rs. 8.80 Cr.
Long Term Rating	ACUITE BB / Outlook: Stable (Upgraded and Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has upgraded and assigned the long term rating of '**ACUITE BB**' (**read as ACUITE double B**) from '**ACUITE BB-**' (**read as ACUITE double B minus**) to the Rs.8.80 crore for KSP Auto & Forge Private Limited (KFPL). The outlook is '**Stable**'.

The upgrade reflects improving revenues, scale of operations and financial risk profile of the company. The operating income of the company has improved by 58.58 percent to Rs.52.37 crore in FY2019 (Provisional) as compared to Rs.33.02 crore in FY2018 and Rs.22.06 crore in FY2017. Further, the rating is supported by experienced management, marginal improvement in working capital cycle and longstanding relationship with clients.

KFPL, a Gujarat-based company initially established as partnership firm in 1993, was later converted into a private limited company in 2008. The company is ISO 9001:2008 certified and has its manufacturing unit at Rajkot (Gujarat). The company is promoted by Mr. Shri Kishor Kathrotia and Mr. Shri Satish Bera. The company is engaged in the manufacture and supply of wide range of forged components, auto parts and CNC turned components, among others. The products find application in various industries such as automobile, oil and gas, home appliances, bearing and railways.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of KFPL for arriving at the rating.

Key Rating Drivers

Strengths

- **Experienced management**

The Directors have experience of over two decades in the aforementioned line of business. The extensive experience of the promoters has helped the company to establish longstanding relationships with its customers and suppliers. The company is also well supported by experienced second line of management.

- **Improving revenues**

The operating revenue registered stable growth over past five years and is growing at compounded annual growth rate (CAGR) of 23.75 percent since 2014. The operating income has increased to Rs.33.02 crore in FY2018 as compared to Rs.22.06 crore in FY2017. The operating income has further improved to Rs.52.37 crore in FY2019 (Provisional) and has running order book of Rs.32.00 crore to be execute in first two quarters of FY2020 providing revenue visibility over near to medium term.

Weaknesses

- **Moderate financial risk profile**

The financial risk profile of the company stood moderate marked by net worth of Rs.4.83 crore as on March 31, 2018 as compared to Rs.4.25 crore as on March 31, 2017. The gearing ratio (debt equity) stood at 2.97 times as on March 31, 2018 as compared to 3.51 times as on March 31, 2017. The interest coverage ratio (ICR) improved to 2.45 times in FY2018 as against 2.28 times in FY2017. The debt service coverage ratio (DSCR) stood low at 1.28 times in FY2018 as compared to 1.03 times in FY2017.

• **Moderately working capital intensive operations**

The operations of the company stood moderately working capital intensive in nature marked by Gross Current Asset days (GCA) of 207 days in FY2018 and 276 days in FY2017. The GCA stood moderate due to high receivable days of 156 days in FY2018 and 173 days in FY2017. The working capital limit utilisation stood high at 91.50 percent for last six months ending March 2019. However, GCA and receivable days have improved to 124 days and 83 days in FY2019 (Provisional). Acuité believes efficient working capital management will remain key rating sensitivity factor.

Liquidity Position:

The liquidity profile of the company stood moderate marked by Net cash accruals of Rs.1.75 crore as against repayment obligations of Rs.1.50-1.68 crore for FY2018-19. The current ratio of the company stood at 1.12 times in FY2018 and 1.17 times in FY2017. NCA/TD stood at 0.12 times in FY2018 and 0.10 times in FY2017. The operations of the company stood moderately working capital intensive in nature marked by Gross Current Asset (GCA) of 207 days in FY2018 and 276 days in FY2017. This has led to higher reliance on working capital borrowings, working capital limit utilisation stood high at 91.50 percent for last six months ending March 2019. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of improving cash accrual and moderate repayments over the medium term.

Outlook: Stable

Acuité believes that KFPL will maintain 'Stable' outlook benefiting over the medium term from its experienced management and established market presence. The outlook maybe revised to 'Positive' if the company is able to widen its marketing network resulting in healthy revenue, margins and scalability. Conversely, the outlook maybe revised to 'Negative' if the company's financial risk profile deteriorates on account of declining revenue, profitability and elongation in working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	33.02	22.06	20.80
EBITDA	Rs. Cr.	3.40	3.18	2.28
PAT	Rs. Cr.	0.58	0.35	0.11
EBITDA Margin	(%)	10.30	14.43	10.95
PAT Margin	(%)	1.75	1.57	0.53
ROCE	(%)	11.90	11.57	9.62
Total Debt/Tangible Net Worth	Times	2.97	3.51	3.15
PBDIT/Interest	Times	2.45	2.28	2.32
Total Debt/PBDIT	Times	4.16	4.66	5.14
Gross Current Assets (Days)	Days	207	276	224

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

None

Applicable Criteria

- Manufacturing Entities- <https://www.acuite.in/view-rating-criteria-4.htm>
- Application of Financial Ratios and Adjustments: <https://www.acuite.in/view-rating-criteria-20.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-17.htm>

Note on complexity levels of the rated instrument
<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
08-Mar-2018	Cash Credit	Long Term	7.00	ACUITE BB- / Stable (Reaffirmed)
	Term Loan	Long Term	0.39	ACUITE BB- / Stable (Reaffirmed)
	Term Loan	Long Term	1.41	ACUITE BB- / Stable (Assigned)
22-Dec-2016	Cash Credit	Long Term	5.00	ACUITE BB- / Stable (Downgraded)
	Term Loan	Long Term	0.90	ACUITE BB- / Stable (Downgraded)
	Proposed Cash Credit	Long Term	2.00	ACUITE BB- / Stable (Assigned)
	Proposed Long Term Loan	Long Term	0.90	ACUITE BB- / Stable (Assigned)
28-Aug-2015	Cash Credit	Long Term	5.00	ACUITE BB / Stable (Assigned)
	Term Loan	Long Term	0.90	ACUITE BB/ Stable (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE BB/Stable (Upgraded)
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.12	ACUITE BB/Stable (Upgraded)
Term Loan	Not Applicable	Not Applicable	Not Applicable	1.68	ACUITE BB/Stable (Assigned)

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About Acuité Ratings & Research:

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