

Press Release

KSP Auto & Forge Private Limited

June 23, 2020



Rating Withdrawn

Total Bank Facilities Rated*	Rs. 8.80 Cr.
Long Term Rating	ACUITE BB (Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuité has reviewed and withdrawn long-term rating of '**ACUITE BB**' (**read as ACUITE double B**) on the Rs. 8.80 crore bank facilities of KSP Auto and Forge Private Limited (KFPL).

The withdrawal is on account of client's request and receipt of NOC from the banker. The withdrawal is in accordance with Acuité's policy on withdrawal.

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 profile of KFPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management**

The company has establish presence since 1993 and promoters 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.

- **Moderate financial risk profile**

The financial risk profile of the company stood moderate marked by net worth of Rs. 7.85 crore as on March 31, 2020 (Provisional) as compared to Rs.5.88 crore in as on March 31, 2019. The gearing ratio (debt equity) stood improved at 1.97 times as on March 31, 2020 (Provisional) as compared to 2.36 times as on March 31, 2019. The interest coverage ratio (ICR) stood at 3.21 times in FY2020 (Provisional) as against 3.48 times in FY2019. The debt service coverage ratio (DSCR) stood improved at 1.56 times in FY2020 (Provisional) as compared to 1.44 times in FY2019. TOL/TNW stood at 2.70 times in FY2020 (Provisional) as against 3.27 times in FY2019. NCA/TD stood at 0.20 times in FY2020 (Provisional) as against 0.17 times in FY2019.

Weaknesses

- **Decline in revenues and margins**

The operating income has declined to Rs. 43.55 crore in FY2020 (Provisional) as compared to Rs.51.69 crore in FY2019. The operating margins have also declined to 10.27 percent in FY2020 (Provisional) as compared to 17.15 percent in FY2019. However, PAT margins stood improved at 4.53 percent in FY2020 (Provisional) as compared to 2.02 percent in FY2019.

• **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 175 days in FY2020 (Provisional) as against 113 days in FY2019. The GCA stood moderate due to high receivable days of 119 days in FY2020 (Provisional) as against 71 days in FY2019. Inventory days stood at 45 days in FY2020 (Provisional) as against 41 days in FY2019.

Liquidity Position: Adequate

The liquidity profile of the company stood moderate marked by Net cash accruals of Rs. 3.09 crore as against repayment obligations of Rs.1.25-1.50 crore for FY2018-20. The current ratio of the company stood at 1.44 times in FY2020 (Provisional) and 1.19 times in FY2019. NCA/TD stood at 0.20 times in FY2020 (Provisional) as against 0.17 times in FY2019. The operations of the company stood moderately working capital intensive in nature marked by Gross Current Asset days (GCA) of 175 days in FY2020 (Provisional) as against 113 days in FY2019.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	43.55	51.69
PAT	Rs. Cr.	1.97	1.04
PAT Margin	(%)	4.53	2.02
Total Debt/Tangible Net Worth	Times	1.96	2.36
PBDIT/Interest	Times	3.21	3.48

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-59.htm>
- Default Recognition- <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios and Adjustments - <https://www.acuite.in/view-rating-criteria-53.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
17-Apr-2019	Cash Credit	Long Term	7.00	ACUITE BB/ Stable (Upgraded from ACUITE BB-/Stable)
	Term Loan	Long Term	0.12	ACUITE BB/ Stable (Upgraded from ACUITE BB-/Stable)
	Term Loan	Long Term	1.68	ACUITE BB/ Stable (Upgraded from ACUITE BB-/Stable)
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 (Reaffirmed)

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)

***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 (Withdrawn)
Term Loan	Not Available	Not Applicable	Not Available	0.12	ACUITE BB (Withdrawn)
Term Loan	Not Available	Not Applicable	Not Available	1.68	ACUITE BB (Withdrawn)

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About Acuité Ratings & Research:

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