

Press Release

Kanchi Karpooram Limited

May 25, 2021

Rating Withdrawn



Total Bank Facilities Rated*	Rs. 17.00 Cr.
Long Term Rating	ACUITE BB+ (Upgraded and Withdrawn)
Short Term Rating	ACUITE A4+ (Upgraded and Withdrawn)

*Refer Annexure for details

**Credit Enhancement in the form of DSRA from the Sponsor Ashoka Buildcon Limited

Rating Rationale

Acuite has upgraded and withdrawn the long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) from '**ACUITE B+**' (read as **ACUITE B plus**) and short-term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) from '**ACUITE A4**' (read as **ACUITE A four**) on the Rs.17.00 crore bank facilities of Kanchi Karpooram Limited (KKL). The rating withdrawal is in accordance with Acuite's policy on withdrawal of rating.

The rating is being withdrawn on account of request received from the company and NOC received from the banker.

Reason for rating upgrade

The rating upgrade reflects the improved scale of operations, improvement in profitability parameters, resulting in improvement in net cash accruals and debt coverage indicators, strong liquidity profile and limited reliance on external borrowings. The operating income of the KKL stood at Rs. 202.89 crores in FY2020 as compared to Rs. 187.90 crores in FY2019. Further, the company has booked revenue of Rs. 143.75 crores till December 31, 2020. Operating Income has increased at a CAGR of ~30 per cent over the last 5 years. Operating margins and net profit margins stood healthy at 18.16% and 12.79 % in FY2020 respectively. The company generated cash accruals of Rs. 27.21 crore for FY2020 as against maturing debt obligations of Rs.0.03 crore for the same period. Further, the company uses internal accruals for working capital and currently does not have any working facilities with any bank or financial institution.

About the Company

Incorporated in the year 1992, Kanchi Karpooram Limited (KKL), is a Public Limited Company promoted by Mr. Suresh Shah. The production facility of the company is located at Kancheepuram district in Tamil Nadu. KKL manufactures Camphor, its derivatives, Gum rosin, Value Added Resins and Fortified Rosin. KKL now serve a variety of industries like Tyres, Paint, Paper, Food, Pharma, Rubber, and a number of international traders who deal with a variety of industries.

Analytical Approach

Acuite has taken a standalone view of the business and financial risk profile of KKL to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management and long track record of operations**

The company has established presence since 1992 and is engaged in production and selling of camphor and its by-products. The operations are managed by Mr. Suresh Shah. The promoters have over three decades of experience in the aforementioned industry. The company benefits from its experienced management, which is reflected through longstanding relationship with its customers and suppliers.

The operating income of the company stood at Rs. 202.89 crores in FY2020 as compared to Rs. 187.90 crores in FY2019. Further, the company has booked revenue of Rs. 143.75 crores till December 31, 2020. Acuite believes that the group will benefit from its experienced management, and long-standing relationship with its customers and suppliers.

• Healthy Financial risk profile

The financial risk profile of company is healthy marked by healthy tangible net worth, gearing and coverage indicators. The net worth stood moderate at Rs. 92.69 crore as on March 31, 2020 as against Rs. 66.14 crore as on March 31, 2019. The total debt of Rs. 1.24 crore outstanding as on March 31, 2020 comprises of term loans. The gearing ratio stood at 0.01 times as on March 31, 2020 as against 0.00 times as on March 31, 2019 on account of low debt levels. The Interest Coverage Ratio stood improved to 42.53 times in FY2020 as against 24.41 times in FY2019 owing to increase operating profits and reduced interest expense. The DSCR stood at 31.11 times in FY2020 as against 13.11 times in FY2019. The NCA/TD ratio stood at 21.95 times in FY2020 as against 135.99 times in FY2019. Acuite believes that the company will benefit from improvement in profitability, reduction in debt levels which will lead to further improvement in financial risk profile and liquidity position.

Weaknesses

• Highly competitive industry and profitability susceptible to forex rates

The industry is a highly fragmented industry and presence of large number of organised and unorganised players has created high competition in the industry. The company faces competition from large players as well as numerous players in the unorganised segment. Also, the entry barriers are low thereby leading to stiff competition for the group. Further, the profitability margins have remained susceptible to forex rates as the main raw material for manufacturing camphor i.e. alpha-pinene is majorly imported.

Rating Sensitivities

Not Applicable

Material Covenants

None

Liquidity Position – Strong

The liquidity of the company stood strong marked by net cash accruals of Rs. 27.21 crore as against CPLTD of Rs.0.03 crore in FY2020. The unencumbered cash and bank balances available with the company is Rs.3.76 crores as on March 31, 2020. The current ratio stood at 14.32 times as on March 31, 2020. Acuite believes that the company will maintain the liquidity on account healthy profitability levels.

Outlook

Not Applicable

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	202.89	187.90
PAT	Rs. Cr.	25.95	28.28
PAT Margin	(%)	12.79	15.05
Total Debt/Tangible Net Worth	Times	0.01	0.00
PBDIT/Interest	Times	42.53	24.41

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

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition -<https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities -<https://www.acuite.in/view-rating-criteria-59.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/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
05-Apr-2021	Cash Credit	Long Term	7.00	ACUITE B+ (Downgraded & Indicative)
	Buyers Credit	Short Term	10.00	ACUITE A4 (Indicative)
09-Jan-2020	Cash Credit	Long Term	7.00	ACUITE BB- (Indicative)
	Buyers Credit	Short Term	10.00	ACUITE A4+ (Indicative)
11-Oct-2018	Cash Credit	Long Term	7.00	ACUITE BB- (Indicative)
	Buyers Credit	Short Term	10.00	ACUITE A4+ (Indicative)

*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+ (Upgraded and Withdrawn)
Buyers Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A4+ (Upgraded and Withdrawn)

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President- Corporate and Infrastructure Sector Tel: 022-49294041 aditya.gupta@acuite.in Aishwarya Phalke Senior Analyst - Rating Operations Tel: 022-49294031 aishwarya.phalke@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in

About Acuite Ratings & Research:

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