

Press Release

Karthigeya Moulds & Dies Private Limited

April 10, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 19.70 Cr.
Long Term Rating	SMERA B- / Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B-**' (read as **SMERA B minus**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs. 19.70 crore bank facilities of Karthigeya Moulds & Dies Private Limited. The outlook is '**Stable**'.

Incorporated in 2002, Karthigeya Moulds & Dies Private Limited (KMDPL) is an ISO9001:2008 & TS16949 company engaged in the making of moulds for automobile, electrical and electronics, engineering and home appliances. The Directors, Mr. Rajagopal NandaKumar, Mr. Narasimma Achari Arumugan, Mr. Subramanian Dhandapani and others possess extensive experience in the industry.

Key Rating Drivers

Strengths

- **Experienced management**

The management is engaged in the aforementioned business since 1985 and possesses experience of over two decades in the industry. The firm, initially a proprietorship concern, was converted into a private limited company in 2002. The Directors include Mr. Rajagopal NandaKumar, Mr. Narasimma Achari Arumugan, Mr. Subramanian Dhandapani and others.

- **Reputed clientele**

Over the years, the company has developed long standing relationships with its reputed clients - Volkswagen, Maruti, Honda to name a few.

Weaknesses

- **Working capital intensive operations**

KMDPL's working capital intensive operations are marked by high gross asset days of 207 days and 215 days in FY2016 and FY2015 respectively. This intensifies large working capital requirements and affects its ability to payback its current liabilities. The creditors stand at 130 days and 166 days in FY2016 and FY2015 respectively. The inventory is high at 134 days and 146 days in FY2016 and FY2015 respectively. The debtors are at 72 days in FY2016 and 79 days in FY2015.

- **Weak financial risk profile**

The financial risk profile is marked by weak debt protection metrics, high gearing and low net worth. The interest coverage ratio and debt service coverage ratios are weak and stand at 0.88 times and 0.46 times respectively in FY2016. However, the same were at 2.56 times and 2.48 times in FY2015 respectively. The gearing stood at a high of 3.06 times in FY2016 as against 1.72 times in FY2015. The net worth has been low at Rs.7.35 cr as on 31st March 2016. The company does not have any expansion plan for the near term.

- **Thin margins**

The thin margins are marked by low operating margins of 4.27 percent and 7.54 percent in FY2016 and FY2015 respectively. Also, its PAT stood at -1.75 percent in FY2016 and 0.76 percent in FY2015.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the entity.

Outlook: Stable

SMERA believes that KMDPL will maintain a stable outlook in the medium term while benefitting from its experienced management and reputed clientele. The outlook may be revised to 'Positive' if KMDPL scales up operations while improving profitability. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenue and profitability or if the working capital cycle further deteriorates.

About the Rated Entity - Key Financials

For FY2016, KMDPL reported profit after tax (PAT) of Rs.-0.59 cr on total operating income of Rs.33.45 cr, as compared with PAT of Rs.0.27 cr on total operating income of Rs.35.59 cr in FY2015. The tangible net worth stood at Rs.7.35 cr in FY2016 as compared to Rs.6.94 cr in FY2015.

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Manufacturing Entities - <https://www.smera.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

***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	SMERA B- / Stable
Term loans	Not Applicable	Not Applicable	30-09-2023	11.20	SMERA B- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	1.50	SMERA A4

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