

Press Release

Karthigeya Moulds & Dies Private Limited

June 02, 2018



Rating Upgraded

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

* Refer Annexure for details

Rating Rationale

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

The upgrade is in view of significant growth in revenues along with profitability margins of the firm. SMERA believes going ahead the company will sustain the growth in revenues and profitability margins over the medium term.

The Chennai-based, Karthigeya Moulds & Dies Private Limited (KMDL) was incorporated in 2002 by Mr. Subramanian Dhandapani. KMDL is engaged in the manufacturing of plastic injection moulds. This engineering product portfolio finds its application in various segments like Automobile, Electricals and Electronics and Home Appliances to name a few. The manufacturing unit is ISO 9001:2008 & TS 16949:2009 certified and located at SIDCO Industrial estate in Chennai. KMDL is a strong brand in the tool room division and caters to Suzuki Motorcycle India Pvt Ltd & Maruti Suzuki India Pvt Ltd, Mahindra & Mahindra Ltd., Varroc Lighting Systems (India) Pvt Ltd to name a few.

Key Rating Drivers

Strengths

- Experienced management and reputed clientele**

The company is managed by Mr. Subramanian Dhandapani, Mr. Narasimma A. Arumugam and Mr. Rajagopal Nandakumar who possess over two decades experience in this industry. The long standing presence in the industry has helped establishing long term relations with reputed clients, OEMs and Tier I suppliers of OEMs. Some of the clients are associated with the company since inception and others for more than a decade. SMERA believes that KMDL will continue to benefit from its established position in the market and management's vintage.

- Moderate growth in revenues**

KMDL registered a turnover of Rs.49.34 crore in FY2017, an improvement from Rs.33.45 crore in FY2016. Further, KMDL has registered a turnover of Rs.62.67 crore for FY2018 (Provisional). The increase in revenues is backed by increase in the number of orders on account of increase in customer base.

Weaknesses

- Average financial risk profile**

The financial risk profile of KMDL is average marked by low net worth of Rs.8.23 crore in FY2018 (Provisional) as against Rs.7.83 crore in FY2017. The gearing levels stood high at 2.83 times in FY2018 (Provisional) as compared to 2.76 times in FY2017. The total debt of Rs. 23.31 crore comprises of term loan to the tune of Rs.9.47 crore, unsecured loans from promoters and from financial institutions to the tune of Rs. 6.38 crore and working capital limits to the tune of Rs.7.46 crore. The debt protection measures have been modest with net cash accruals to total debt (NCA/TD) at 0.09 times in both FY2018 (Provisional) and the preceding year. The interest coverage levels have been at 1.91 times in FY2018 (provisional).

- Working Capital Intensive operations**

The operations are working capital intensive marked by high Gross Current Assets (GCA) days of 175 for FY2018 (provisional) as against 164 for FY2017. This is mainly on account of high inventory holding

period marked by 118 days for FY2018 (provisional) as against 132 days for FY2017. The working capital limits were ~95 percent utilised for past six months. SMERA believes that improvement in working capital cycle would be the key rating sensitivity in the medium term.

- **Highly fragmented and competitive industry**

KMD operates in highly fragmented industry with limited entry of barriers wherein the presence of large number of players in the unorganized sector limits the bargaining power with customers.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of KMDL to arrive at the rating.

Outlook: Stable

SMERA believes that the outlook on KMDL will remain 'Stable' over the medium term on account of the promoters' experience in the industry and moderate growth in revenue. The outlook may be revised to 'Positive' if the company registers growth in profitability margins while maintaining a comfortable liquidity position and capital structure. Conversely, the outlook may be revised to 'Negative' in case of significant decline in cash accruals or further deterioration of its financial risk profile due to higher than expected working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	62.67	49.34	33.45
EBITDA	Rs. Cr.	4.47	4.18	1.43
PAT	Rs. Cr.	0.61	0.48	-0.59
EBITDA Margin	(%)	7.13	8.48	4.27
PAT Margin	(%)	0.98	0.98	-1.75
ROCE	(%)	9.72	9.61	7.16
Total Debt/Tangible Net Worth	Times	2.83	2.76	3.06
PBDIT/Interest	Times	1.91	1.84	0.88
Total Debt/PBDIT	Times	5.20	5.14	18.40
Gross Current Assets (Days)	Days	175	164	207

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/criteria-manufacturing.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/criteria-fin-ratios.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
29-Mar-2018	Cash Credit	Long Term	7.00	ACUITE B-
	Term Loan	Long Term	11.20	ACUITE B-
	Bank Guarantee	Short Term	1.50	ACUITE A4
10-Apr-2017	Cash Credit	Long Term	7.00	ACUITE B- / Stable
	Term Loan	Long Term	11.20	ACUITE B- / Stable

	Bank Guarantee	Short Term	1.50	ACUITE A4
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***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 B+ / Stable (Upgraded)
Term loans	Not Applicable	Not Applicable	30-Sep-2023	11.20	ACUITE B+ / Stable (Upgraded)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE A4 (Upgraded)

Contacts

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About Acuité Ratings & Research:

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