

Press Release

Karthigeya Moulds & Dies Private Limited

August 1, 2019

Rating Reaffirmed



Total Bank Facilities Rated*	Rs.19.70 Cr.
Long Term Rating	ACUITE B+/ Stable (Reaffirmed)
Short Term Rating	ACUITE A4 (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) and short term rating of '**ACUITE A4**' (read as **ACUITE A four**) to the Rs.19.70 crore bank facilities of KARTHIGEYA MOULDS AND DIES PRIVATE LIMITED (KMPL). The outlook is '**Stable**'.

The rating reaffirmation reflects moderate scale and long track record of operations though constrained by below-average financial risk profile. Its revenues are moderate, though volatile in FY2018 and 2019 due to deferral of few orders. However, its margins are insulated partly owing to part advance payment it receives along with the order.

Chennai-Based, Karthigeya Moulds & Dies Private Limited (KMPL), incorporated in 2002 by Mr. Subramanian Dhandapani, 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 among others. The manufacturing unit is ISO 9001:2008 & TS 16949: 2009 certified and located at SIDCO Industrial estate at Chennai. KMPL is a strong brand in the tool room division and caters to the main business line of mould manufacture and drive assembly for which the raw materials are procured domestically from Maharashtra and also imports from countries including China. The manufactured products are mainly used by the household product industry besides automotive segment. The company caters only to clients in India. The installed capacity is 4400 per unit and the utilised capacity is 95 percent in FY2019.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced management**

The company is managed by Mr. Subramanian Dhandapani, Mr. Narasimma A. Arumugam and Mr. Rajagopal Nandakumar who possess over two decades of 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. The major revenue contributing client is Whirlpool India which adds about 60 percent to its revenue portfolio. Among other others are Maruti Suzuki India and Varroc Lightings, among others. Acuite believes that KMPL will continue to benefit from its established position in the market and management's vintage.

Weaknesses

- **Below-average financial risk profile**

Financial risk profile of the company is below average marked by high gearing (debt-to-equity), total outside liabilities to total net worth (TOL/TNW) as well as below average debt protection metrics. Gearing and TOL/TNW stood high at 3.47 times and 5.83 times as on 31 March, 2019 (provisional), deteriorated from 2.79 and 5.10 times as on 31 March, 2018, respectively. Net worth is modest at Rs.8.52 crore as on 31 March, 2019 (provisional) as against Rs.8.39 crore as on 31 March, 2018; owing to accretion to reserves. Of the total debt of Rs.29.56 crore as on 31 March, 2019 (provisional), short term debt constitutes Rs.7.74 crore and unsecured loans from promoters of Rs.14.25 crore and long term debt of Rs.7.57 crore. Debt protection

metrics of interest coverage ratio and net cash accruals to total debt (NCA/TD) stood below average at 1.56 times and 0.06 times respectively in FY2019 (provisional). The company reported cash accruals of Rs.1.69 crore for FY2019. Further, repayment obligations are expected to be in the range of Rs.1.00-1.30 crore against annual cash accruals of about Rs.1.60-2.00 crore. Acuite believes that the financial risk profile is expected to improve, however remain at below-average on account of modest net worth and working capital intensity amid the growing business plans.

• Working capital intensive operations

Operations of the company have shown moderate working capital management marked by gross current assets (GCA) of 230 days in FY2019 (provisional) as against 161 days in FY2018. Deterioration in GCA is due to delay in the order shipment that led to stock piled up in WIP stage. Inventory days stood at 189 days in FY2019 (provisional) against 121 days in FY2018. Receivables are about 50 days in line with the past trend. Working capital intensive operations led to high utilisation of its bank lines at about 84.44 per cent over last six months through June 2019. Its current ratio is moderate at about 1.31 times as of March 31, 2019 (provisional). Acuite believes that improvement in revenues and GCA days while maintaining flexibility in bank limit utilisation are key rating sensitivity factors over the medium term.

• Highly fragmented and competitive industry

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

Liquidity Position:

KMPL has stretched liquidity characterised by working capital intensive operations and high GCA. Its GCA days are high at about 230 days in FY2019 (provisional) against about 160 days in the past. However, it is partly supported by moderate accruals to repayment obligations. It reported cash accruals of Rs.1.69 crore for FY2019 (Provisional). Further, repayment obligations are expected to be in the range of Rs.1.00-1.30 crore against annual cash accruals of about Rs.1.60-2.00 crore for the medium term. With modest net worth, its bank lines are utilised at about 84 percent through June, 2019. Its current ratio is moderate at 1.31 times in FY2019 (provisional). Acuite believes that the liquidity profile of KMPL continues to be at similar levels owing to the growth trajectory.

Outlook: Stable

Acuite believes that the outlook on KMPL 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' in case of significant improvement in its revenues while maintaining profitability and improving its capital structure. Conversely, the outlook may be revised to 'Negative' in case of any further stretch in its working capital management leading to deterioration of its financial risk profile and liquidity.

About the Rated Entity - Key financials

	Unit	FY19 (Prov)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	57.31	62.67	49.34
EBITDA	Rs. Cr.	4.70	4.64	4.18
PAT	Rs. Cr.	0.13	0.60	0.48
EBITDA Margin	(%)	8.20	7.40	8.48
PAT Margin	(%)	0.23	0.95	0.98
ROCE	(%)	9.08	10.42	9.61
Total Debt/Tangible Net Worth	Times	3.47	2.79	2.76
PBDIT/Interest	Times	1.56	1.90	1.84
Total Debt/PBDIT	Times	6.25	5.02	5.14
Gross Current Assets (Days)	Days	229	162	164

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

None

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

Rating History (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
02-Jun-2018	Cash Credit	Long Term	7.00	ACUITE B+/Stable (Upgraded)
	Term Loans	Long Term	11.20	ACUITE B+/Stable (Upgraded)
	Bank Guarantee	Short Term	1.50	ACUITE A4 (Upgraded)
29-Mar-2018	Cash Credit	Long Term	7.00	ACUITE B- (Indicative)
	Term Loans	Long Term	11.20	ACUITE B- (Indicative)
	Bank Guarantee	Short Term	1.50	ACUITE A4 (Indicative)
10-Apr-2017	Cash Credit	Long Term	7.00	ACUITE B-/Stable (Assigned)
	Term Loans	Long Term	11.20	ACUITE B-/Stable (Assigned)
	Bank Guarantee	Short Term	1.50	ACUITE A4 (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 B+/Stable (Reaffirmed)
Term Loans	Not Applicable	Not Applicable	Not Applicable	11.20	ACUITE B+/Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE A4 (Reaffirmed)

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About Acuité Ratings & Research:

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