

Press Release

KBS INDUSTRIES LIMITED (ERSTWHILE KBS INDUSTRIES PRIVATE LIMITED)
July 17, 2024

Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	61.50	ACUITE BBB Stable Reaffirmed Negative to Stable	-
Bank Loan Ratings	48.50	-	ACUITE A3+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	110.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of 'ACUITE BBB' (read as ACUITE triple B) and the short-term rating of 'ACUITE A3+' (read as ACUITE A three plus) on the Rs. 110.00 crore bank facilities of KBS Industries Limited (Erstwhile KBS Industries Private Limited)(KBSIL). The outlook revised from 'Negative' to 'Stable'.

Rationale for outlook change

The outlook of the company is revised from negative to stable on account of improvement in the company's scale of operations, working capital cycle and sustained debt coverage indicators. However the rating remains constrained on account of high bank limit utilization and dip in operating margins and remains a key rating sensitivity.

About the Company

KBS Industries Limited (Erstwhile KBS Industries Private Limited)(KBSIL) was incorporated in 2012, promoted by Mr. Arjun Anand, is engaged in the business of manufacturing of high quality semifinished copper and copper alloy products like copper wire rods, ingots etc which are widely used in engineering, electrical and manufacturing industries. The factory is based at Barhi Industrial Area, Haryana and another recently established facility is located at Silvassa. The plants have an installed capacity of 5600 MTPA for each location.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of KBS INDUSTRIES LIMITED to arrive at this rating

Key Rating Drivers

Strengths

Revenue and Profitability

The company has reported revenue of Rs. 536.86 Crore in FY24 (prov.) against Rs. 325.06 Crore in FY23. This growth in top line of the company is on account of addition of Vedanta Limited to its customer profile resulting into voluminous sale since Q4FY2023. However, the EBITDA Margins of the company saw minuscule dip and stood at 4.26% in FY24 (prov.) against 5.59% in FY23 as the company is getting lower realization as compared to previous year. Unlike EBITDA margin, the PAT Margins of the company improved and stood at 1.42% in FY24 (prov.)

against 1.39% in FY23 on account of lower depreciation. The company has achieved revenue of Rs. 108.55 Crore in April and May 2024.

Financial Risk Profile

The financial risk profile of the company is moderate marked by moderate net-worth, leverage and coverage indicators. The net worth of the company stood at of Rs. 85.78 Crore in FY24 (prov.) against Rs. 79.05 Crore in FY23 on account of accretion of profit to reserves. The total debt of the company stood at Rs. 98.79 Crore in FY24 (prov.) which consists of long term debt of Rs. 9.75 Crore, Short term debt of Rs. 83.68 Crore and CPLTD of Rs. 5.36 Crore. The debt-equity ratio of the company stood at 1.15 times in FY24 (prov.) against 1.38 times in FY23 and TOL/TNW ratio stood at 1.60 times in FY24 (prov.) against 1.82 times in FY23 showing marginal improvement in the leverage position of the company. Further, the coverage indicators of the company also showed marginal improvement as evident from the interest coverage ratio of the company which stood at 1.83 times in FY24 (prov.) against 1.51 times in FY23 and the DSCR of the company which stood at 1.26 times in FY24 (prov.) against 1.22 times in FY23.

Acuité believes that the financial risk profile of the company may improve over the medium term on account of expected improvement in operating performance and repayment of long term debt with no additional debt to be taken in near future.

Weaknesses

Susceptible to fluctuations in prices of raw material and forex rates

The major raw material of the company is copper scrap. The company's performance remains vulnerable to cyclical in the copper sector as demand for copper depends on the performance of the end user segments such as construction, electrical & engineering industries etc. Moreover, the prices of the same are fluctuating in nature, therefore the operating profit margins of the company is susceptible to raw material price fluctuation.

Customer concentration risk

It is susceptible to customer concentration risk as ~42 percent of the company's products are selling to Vedanta Limited. This makes the company highly susceptible to business risk profile of its top clients. However the aforesaid risk is partly mitigated due to customer's credibility in the market. Acuité believes that the ability of the entity to expand its customer base in order to mitigate the revenue concentration risk will be a key rating sensitivity factor.

Rating Sensitivities

- Improvement in scale of operations while maintaining profitability margins.
- Further deterioration in working capital operations
- Ability to expand its customer base in order to mitigate the customer concentration risk.

Liquidity Position

Adequate

The liquidity profile of the company is adequate. The net cash accruals of company stood at Rs. 8.50 Cr. in FY 24 (prov.) against the CPLTD of Rs. 4.17 Cr. for the same period giving some legroom for growth fund. The company has cash & bank position of Rs. 1.05 Cr. and current ratio stood at 1.47 times for FY 24 (prov.). Company has made Rs. 1.2 Cr. investment in fixed deposits which is entirely unencumbered. The average fund based bank limit utilization is at 95.13% and non-fund based bank limit utilization is at 58.65% for the 9 months' period ending May 2024.

Outlook: Stable

Acuité believes that KBS's outlook will remain 'Stable' over the medium term deriving comfort from the experienced management along with improvement in revenues while sustaining the financial risk profile. The outlook may be revised to 'Positive' in case of higher than expected growth in its revenues while improving its profitability and liquidity position. The outlook may be revised to 'Negative' in case of considerable decline in revenues and profitability or stretch in its working capital management leading to the deterioration of its financial risk profile and liquidity position.

Other Factors affecting Rating
None

Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	536.86	325.06
PAT	Rs. Cr.	7.64	4.51
PAT Margin	(%)	1.42	1.39
Total Debt/Tangible Net Worth	Times	1.15	1.38
PBDIT/Interest	Times	1.83	1.51

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
26 Apr 2023	Cash Credit	Long Term	17.50	ACUITE BBB Negative (Reaffirmed)
	Cash Credit	Long Term	12.00	ACUITE BBB Negative (Reaffirmed)
	Cash Credit	Long Term	24.00	ACUITE BBB Negative (Reaffirmed)
	Working Capital Term Loan	Long Term	3.30	ACUITE BBB Negative (Reaffirmed)
	Working Capital Term Loan	Long Term	2.40	ACUITE BBB Negative (Reaffirmed)
	Working Capital Term Loan	Long Term	2.30	ACUITE BBB Negative (Reaffirmed)
	Letter of Credit	Short Term	14.50	ACUITE A3+ (Reaffirmed)
	Letter of Credit	Short Term	12.00	ACUITE A3+ (Reaffirmed)
	Letter of Credit	Short Term	22.00	ACUITE A3+ (Reaffirmed)
04 Feb 2022	Cash Credit	Long Term	17.50	ACUITE BBB Negative (Reaffirmed)
	Cash Credit	Long Term	12.00	ACUITE BBB Negative (Reaffirmed)
	Cash Credit	Long Term	24.00	ACUITE BBB Negative (Reaffirmed)
	Letter of Credit	Short Term	14.50	ACUITE A3+ (Reaffirmed)
	Letter of Credit	Short Term	12.00	ACUITE A3+ (Reaffirmed)
	Letter of Credit	Short Term	22.00	ACUITE A3+ (Reaffirmed)
	Working Capital Term Loan	Long Term	3.30	ACUITE BBB Negative (Reaffirmed)
	Working Capital Term Loan	Long Term	2.40	ACUITE BBB Negative (Reaffirmed)
	Working Capital Term Loan	Long Term	2.30	ACUITE BBB Negative (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Canara Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	17.50	ACUITE BBB Stable Reaffirmed Negative to Stable
Bank of Baroda	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	12.00	ACUITE BBB Stable Reaffirmed Negative to Stable
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	24.00	ACUITE BBB Stable Reaffirmed Negative to Stable
Canara Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	14.50	ACUITE A3+ Reaffirmed
Bank of Baroda	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	12.00	ACUITE A3+ Reaffirmed
State Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	22.00	ACUITE A3+ Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.72	ACUITE BBB Stable Reaffirmed Negative to Stable
Canara Bank	Not avl. / Not appl.	Working Capital Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Mar 2026	Simple	1.09	ACUITE BBB Stable Reaffirmed Negative to Stable
Bank of Baroda	Not avl. / Not appl.	Working Capital Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	30 Mar 2026	Simple	1.19	ACUITE BBB Stable Reaffirmed Negative

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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