Press Release

Kataline Infraproducts Private Limited

January 03, 2019

Rating Upgraded

Total Bank Facilities Rated*	Rs. 15.00 crore
Long Term Rating	ACUITE BBB-/ Outlook: Stable (Upgraded)
Short Term Rating	ACUITE A3 (Upgraded)

* *Refer Annexure for details*

Rating Rationale

Acuité has upgraded the long-term rating of **'ACUITE BBB-' (read as ACUITE triple B minus)** from **'ACUITE BB+' (read as ACUITE double B plus)** and the short-term rating of **'ACUITE A3' (read as ACUITE A three)** from **'ACUITE A4+' (read as ACUITE A four plus)** on the Rs. 10.00 crore bank facilities of KATALINE INFRA PRODUCTS PRIVATE LIMITED (KIPPL). The outlook is **'Stable'**.

Kataline Infra Products Private Limited (KIPPL) was incorporated in the year 2008 by Mr. Amit Thatte and Mrs. Ketki Thatte. The company is engaged in manufacturing of road marking materials such as thermo-plastic paints and cold paints. The manufacturing facility is located in Nagpur, Maharashtra.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of Kataline Infra Products Private Limited (KIPPL) to arrive at this rating.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

Incorporated in the year 2008, Kataline Infra Products Private Limited is promoted by Mr. Amit Thatte and Mrs. Ketki Thatte, who have more than a decade of experience in the aforementioned line of business. The extensive experience of the promoters is reflected through the established relationship with the company's customers and suppliers. The key customers of the company have no major concentration in revenues. On the back of the stable and repetitive orders by the various customers, the revenues of the company have seen a compound annual growth rate (CAGR) of about 20.81 per cent over the past three years through FY2019 at Rs. 80.70 crore in FY2019.

Further, the company has booked revenue of Rs. 50.72 crore for the nine months ended as on 30th November, 2019. KIPPL is expected to continue to leverage its well established relationships with reputed clients and suppliers. Acuité believes that KIPPL will continue to benefit from its established track record of operations and experienced management and their long standing relationships with reputed customers and suppliers.

- **Healthy financial risk profile**

The financial risk profile of the company is healthy marked by moderate net worth, low gearing, healthy debt protection metrics and coverage indicators.

The net worth of KIPPL is moderate, estimated at around Rs. 15.90 crore as on 31st March, 2019. The net worth levels have seen significant improvement over the last three years through FY2019 on account of healthy profitability.

The company has followed a conservative financial policy in the past, the same is reflected through its peak gearing and total outside liabilities to tangible net worth (TOL/TNW) levels of 0.55 times as on March 31, 2017 and 1.39 times as on March 31, 2018, respectively. The leverage levels continue to remain low at around 0.35 times as on March 31, 2019. The total debt of Rs. 5.50 crore as on 31 March 2019 comprised of long-term borrowings of Rs. 1.40 crore, unsecured loans of Rs. 0.14 crore and working capital borrowings of Rs. 3.96 crores. KIPPL's cash accruals over the next two years through 2021 are estimated to remain in the range of Rs. 5.70 crores to Rs. 6.00 crores.

The revenues of the company have improved to Rs. 80.70 crore during 2018-19, while its operating margins stood healthy at 9.99 per cent in FY2019 as against 7.45 per cent in FY2018. The healthy profitability levels coupled with moderate debt levels has led to healthy debt protection measures. The NCA/TD, Debt Service Coverage Ratio and interest coverage ratio for FY2019 were healthy at 0.98 per cent, 7.49 times and 9.88 times, respectively.

Acuité believes that the financial risk profile of the company is expected to remain healthy on back of absence of any major debt funded capex plan and healthy accretion to reserves.

Weaknesses

• Working capital intensive nature of operations

KIPPL's working capital operations remained intensive with Gross Current Asset (GCA) of 191 days in FY19 as against 176 days in FY18. The company maintains inventory for less than a month as reflected by inventory days of 20 days in FY19 as against 12 days in the previous year. On the other hand, the company gets a limited credit period from its suppliers, leading to higher reliance on working capital limits. Further, it allows a credit period of around 120-150 days to its customers, as reflected by debtors' collection period of 136 days in FY19 as against 142 days in FY2018.

Acuité expects the operations of the company to remain working capital intensive on account of the high debtors' collection period maintained by the company.

Rating Sensitivity

- Significant improvement in its working capital management with GCA days of less than 150 days.
- Decline in profitability levels thereby impacting company's debt coverage indicators.

Material Covenants

None

Liquidity: Adequate

The company has adequate liquidity profile marked by moderate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs. 5.37 crore for FY2019 as against no significant debt obligations for the same period. The cash accruals of the company are estimated to remain around Rs. 5.70 crore to Rs. 6.40 crore during FY2020-22 against repayment obligations ranging from Rs. 0.60 crore to Rs. 0.35 crore. KIPPL's working capital operations are intensive marked by gross current asset (GCA) of 191 days. The company maintains unencumbered cash and bank balances of Rs. 1.73 crore as on 31 March, 2019. The current ratio stood at 1.48 times as on 31 March, 2019. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of moderate cash accruals against debt repayments over the medium term.

Outlook: Stable

Acuité believes that KIPPL will maintain a 'Stable' outlook and will continue to derive benefit over the medium term due to its extensive experience of promoters. The outlook may be revised to 'Positive', if the company demonstrates substantial and sustained growth in its revenues from the current levels while maintaining its capital structure. Conversely, the outlook may be revised to 'Negative' if the company generates lower-than-anticipated cash accruals, most likely as a result of sharp decline in operating margins, or deterioration in working capital leading to higher reliance on external borrowings thereby impacting its financial risk profile, particularly its liquidity.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	80.70	62.00
PAT	Rs. Cr.	4.75	2.48
PAT Margin	(%)	5.89	4.00
Total Debt/Tangible Net Worth	Times	15.90	11.14
PBDIT/Interest	Times	9.88	4.99

Status of non-cooperation with previous CRA (if applicable)
Not Applicable

Any other information
Not Applicable

Applicable Criteria
- Default Recognition - https://www.acuite.in/view-rating-criteria-52.htm
- Financial Ratios And Adjustments -https://www.acuite.in/view-rating-criteria-53.htm
- Manufacturing Entities - https://www.acuite.in/view-rating-criteria-59.htm

Note on complexity levels of the rated instrument
https://www.acuite.in/criteria-complexity-levels.htm

Rating History (Up to previous three years)

Date	Name of the instrument/ facilities	Term	Amount (Rs. Crore)	Ratings/ Outlook
November 22, 2019	Cash Credit	Long Term	4.50	ACUITE BB+ (Downgraded; Issuer not co-operating*)
	Term Loan	Long Term	0.63	ACUITE BB+ (Downgraded; Issuer not co-operating*)
	Bank Guarantee	Short Term	0.25	ACUITE A4+ (Downgraded; Issuer not co-operating*)
	Letter of Credit	Short Term	4.00	ACUITE A4+ (Downgraded; Issuer not co-operating*)
	Proposed Bank Facility	Short Term	0.62	ACUITE A4+ (Downgraded; Issuer not co-operating*)
April 25, 2019	Cash Credit	Long Term	4.50	ACUITE BBB- (Issuer not co-operating*)
	Term Loan	Long Term	0.63	ACUITE BBB- (Issuer not co-operating*)
	Bank Guarantee	Short Term	0.25	ACUITE A3 (Issuer not co-operating*)
	Letter of Credit	Short Term	4.00	ACUITE A3 (Issuer not co-operating*)
	Proposed Bank Facility	Short Term	0.62	ACUITE A3 (Issuer not co-operating*)

Feb 05, 2019	Cash Credit	Long Term	4.50	ACUITE BBB-/ Stable (Assigned)
	Term Loan	Long Term	0.63	ACUITE BBB-/ Stable (Assigned)
	Bank Guarantee	Short Term	0.25	ACUITE A3 (Assigned)
	Letter of Credit	Short Term	4.00	ACUITE A3 (Assigned)
	Proposed Bank Facility	Short Term	0.62	ACUITE A3 (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
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	5.13	ACUITE BBB-/ Stable (Upgraded)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	9.87	ACUITE A3 (Upgraded)

Contacts

Analytical	Rating Desk
Aditya Gupta Head- Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in Charu Mahajan Analyst - Rating Operations Tel: 011-49731308 charu.mahajan@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and 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. Since then, it has assigned more than 6,000 credit 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 Mumbai.