Press Release

Kataline Infraproducts Private Limited

April 07, 2021

Rating Upgraded & Assigned

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

** Refer Annexure for details*

Rating Rationale

Acuité has upgraded the long-term rating to **'ACUITE BBB' (read as ACUITE triple B)** from **'ACUITE BBB-' (read as ACUITE triple B minus)** and short term rating to **'ACUITE A3+' (read as ACUITE A three plus)** from **'ACUITE A3' (read as ACUITE A three)** on the Rs.15.00 Cr bank facilities of Kataline Infra Products Private Limited (KIPPL). The outlook is **'Stable'.**

Rationale for Rating Up gradation

The rating is upgraded on account of continuous growth in the operating income, significant improvement in the profitability level backed by healthy financial risk profile and adequate liquidity position of the company. Improvement in the scale of operation of KIPPL is marked by operating income of Rs.91.33Cr in FY2020 as against Rs.80.70Cr in FY2019, thereby resulting an increase of 13.18 percent. This is on account of continuous growth of the market and rising demand of the product. The profitability margins has also improved in FY2020 as against in FY2019. The operating margin and the PAT margin stood at 10.82 percent and 6.72 percent in FY2019, respectively. The rating derived also reflects the intensive nature of the working capital management in FY2020 and also the improvement in the performance that is expected from the company in FY2021. It is to be noted that the company has already booked revenue of Rs.70.42Cr (Est.) for 10 months in FY2021.

Further, the overall financial risk profile is healthy marked by moderate net worth, low gearing and comfortable debt coverage indicators.

About the Company

Kataline Infra Products Private Limited is a Maharashtra based company incorporated in the year 2008 by Mr. Amit Thatte and Mrs. Ketki Thatte. The company is engaged in manufacturing of road marketing materials, such as thermo-plastic paints and cold paints. The manufacturing unit is located in Nagpur, Maharashtra. The capacity utilization of the company is around 45 percentages.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of KIPPL to arrive at this rating.

Key Rating Drivers

Strengths

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

KIPPL is a Maharashtra based company was incorporated in the year 2008, thus having a long track record of operation of more than a decade. The promoters of the company Mr. Amit Thatte and Mrs. Ketki Thatte have been associated in the aforementioned industry for more than a decade. The extensive experience of the promoters has helped the company to maintain a healthy relationship with its customers and suppliers. The key customers of the company have no major concentration in revenues. The company has reputed clientele including the names like Larsen and Toubro Limited, Ashoka Buildcon Limited and KMGS Road Signs Private Limited to name a few. On the back of stable and repeated orders, the operating income of the company has increased by around 13.18 percent to Rs.91.33Cr in FY2020 as against Rs.80.70Cr in FY2019. The company has already booked revenue of Rs.70.42Cr (Est.) for 10 months in FY20201.

Acuité believes that the company will benefit from its experienced management, long track of operation and their long standing relationships with reputed customers and suppliers.

- **Healthy financial risk profile**

KIPPL's financial risk profile is healthy marked by moderate net worth, low gearing coupled with comfortable debt protection metrics and coverage indicators. The company's net worth stood at Rs.22.02Cr as on March 31, 2020 as against Rs.15.90Cr as on March 31, 2019. The net worth levels have seen improvement over the last three years through FY2020. This is on account of healthy accretion to reserves over the period. The company has followed conservative financial policy in the past, the same is reflected through its peak gearing and total outside liabilities to tangible net worth (TOL/TNW) of 0.40 times and 1.91 times respectively as on March 31, 2018. The gearing continues to be low at around 0.35 times as on March 31, 2020. The total outside liabilities to tangible net worth (TOL/TNW) levels stood at 1.39 times as on March 31, 2020. The company on the other hand generated cash accruals of Rs.6.97Cr in FY2020 as against Rs.5.37Cr in FY2019.

The revenue of the company has increased by around 13.18 percent to Rs.91.33Cr in FY2020. The increase in the operating income is due to continuous growth of the market and subsequent increase in the demand of the products. EBITDA in absolute term is improving over the last three years through FY2020 and stood at Rs.9.88Cr in FY2020 as against Rs.8.05Cr in FY2019. The PAT of the company has increased to Rs.6.12Cr in FY2020 from Rs.4.75Cr in FY2019. The company's profitability margin has improved in FY2020 as against FY2019. The operating margin of the company stood at 10.82 percent in FY2020 as against 9.98 percent in FY2019. Similarly, the PAT margin has increased to 6.70 percent in FY2020 as against 5.89 percent in FY2019.

The increase in the profitability level, coupled with low debt level, has led to comfortable debt protection measures. The NCA/TD and interest coverage ratio for FY2020 stands at 0.91 times and 9.97 times respectively as against 0.98 times and 9.88 times in FY2019, respectively. The debt service coverage ratio stood 7.84 times in FY2020 as against 7.48 times in FY2019. The Debt-EBITDA ratio stands at 0.75times in FY2020 against 0.67times in FY2019.

The company is under the capex-plan in which the company will be setting up a new unit which will enhance the product capacity and will also ensure up gradation in the quality of the product. It is expected that the capex plan will be completed by September, 2021. The cost of the project is Rs.5.00Cr for which the company have taken a term loan of Rs.2.00 Cr and the rest is funded by promoters.

Acuite believes the financial risk profile of the company will continue to remain healthy on account of its healthy revenue growth backed by healthy order book, improving operating margins, healthy cash accruals and no major debt funded capex in near to medium term.

Weaknesses

- **Working capital operation is intensive in nature**

KIPPL's working capital operation is intensive in nature; however it is improving as it is reflected by its gross current asset (GCA) days of around 156 days in FY2020 as against 176 days in FY2019. The inventory holding period has improved to 17 days as on March 31, 2020 as against 20 days as on March 31, 2019. The debtor collection period has improved to 121 days as on March 31, 2020 as against 136 days as on March 31, 2019. The accumulated receivables stood at Rs.30.28Cr. However, this risk is mitigated company gets majority of orders from reputed players like L&T, Ashoka Buildcon, KMGS Road Signs Limited etc. along with orders from Government authorities. Company deals with reputed players who are industry leaders which leads to low counterparty risk.

Acuite believes that the working capital management to remain moderately intensive over the medium term on account of higher debtor collection period.

Rating Sensitivities

- Decline in the profitability levels will impact the company's debt coverage indicators
- Any deterioration in the working capital cycle may impact the financial risk profile

Material Covenants
None

Liquidity position: Adequate
The company has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.6.97Cr in FY2020, while its' maturing debt obligation were nil for the same period. The cash accrual of the company is estimated to remain around Rs.7.00Cr to Rs.10.00Cr during 2021-23 against repayment obligations of around Rs.0.40Cr to Rs.0.70Cr during the same period. The company's working capital operations is intensive in nature marked by the Gross Current Asset (GCA) days of 156 days in FY2020 as against 176 days in FY2019. The average bank limit utilization stood low at around 29.46 per cent for six months ended February, 2021. The company maintains unencumbered cash and bank balances of Rs.1.73Cr as on 31 March 2020. The current ratio of the company has improved to 1.74 times as on 31 March 2020 from 1.48 times as on March 31, 2019. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of adequate cash accruals to its maturing debt obligation.

Outlook: Stable
Acuité believes that the company will maintain a stable outlook over the medium term backed by its experienced management, established track record of operation in the aforementioned industry and healthy financial risk profile. The outlook may be revised to 'Positive', if the company registers higher than expected growth in its revenue while maintaining as sustained operating margins at its current levels along with efficient working capital management. Conversely, the outlook may be revised to "Negative", if the company registers lower than expected growth in revenues and profitability or in case of deterioration in the company's financial risk profile or significant elongation in the working cycle.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	91.33	80.70
PAT	Rs. Cr.	6.12	4.75
PAT Margin	(%)	6.70	5.89
Total Debt/Tangible Net Worth	Times	0.35	0.35
PBDIT/Interest	Times	9.97	9.88

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

Note on complexity levels of the rated instrument

https://www.acuite.in/view-rating-criteria-55.htm

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
03-Jan-2020	Proposed Bank Facility	Long Term	5.13	ACUITE BBB-/Stable (Upgraded from ACUITE BB+)
	Proposed Bank Facility	Short Term	9.87	ACUITE A3 (Upgraded from ACUITE A4+)
22-Nov-2019	Cash Credit	Long Term	4.50	ACUITE BB+ (Downgraded from ACUITE BBB-) Issuer Not Co-operating*
	Term Loan	Long Term	0.63	ACUITE BB+ (Downgraded from ACUITE BBB-) Issuer Not Co-operating*
	Bank Guarantee	Short Term	0.25	ACUITE A4+ (Downgraded from ACUITE A3) Issuer Not Co-operating*
	Letter of Credit	Short Term	4.00	ACUITE A4+ (Downgraded from ACUITE A3) Issuer Not Co-operating*
	Proposed Bank Facility	Short Term	0.62	ACUITE A4+ (Downgraded from ACUITE A3) Issuer Not Co-operating*
25-Apr-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*

**The issuer didn't co-operate; Based on best available information*

*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	8.00	ACUITE BBB/Stable (Upgraded)
Term Loan	February, 2021	9.00%	September, 2025	2.00	ACUITE BBB/Stable (Assigned)
Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE BBB/Stable (Upgraded)

Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE A3+ (Upgraded)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE A3+ (Upgraded)

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About Acuité Ratings & Research:
Acuité Ratings & Research 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.