Press Release

Kataline Infraproducts Private Limited

July 14, 2022

Rating Assigned, Reaffirmed and Reaffirmed & Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	10.50	ACUITE BBB+ | Stable | Reaffirmed	-
Bank Loan Ratings	2.00	ACUITE BBB+ | Reaffirmed & Withdrawn	-
Bank Loan Ratings	4.50	-	ACUITE A2 | Reaffirmed
Bank Loan Ratings	8.50	-	ACUITE A2 | Assigned
Total Outstanding Quantum (Rs. Cr)	23.50	-	-
Total Withdrawn Quantum (Rs. Cr)	2.00	-	-

Rating Rationale

Acuité has reaffirmed the long-term rating of **'ACUITE BBB+' (read as ACUITE triple B plus)** and short term rating of '**ACUITE A2' (read as ACUITE A two)** on the Rs.15 Cr bank facilities. Further, it has reaffirmed and withdrawn the long-term rating of **'ACUITE BBB+' (read as ACUITE triple B plus)** on Rs. 2 Cr. bank facilities and assigned the short term rating t o **'ACUITE A2' (read as ACUITE A two)** on Rs. 8.50 Cr. bank facilities of Kataline Infra Products Private Limited (KIPPL) . The outlook is **'Stable'.** The term loan of Rs 2cr. has been withdrawn due to the prepayment. The rating is being withdrawn on account of the request received from the company and NOC received from the banker as per Acuité's policy on withdrawal of ratings.

Rationale for Rating reaffirmation :

The rating reaffirmation is on account of the improvement in operating and financial performance of KIPPL. The operating income of the Company improved to Rs. 136.71 Cr. in FY22(Prov.) as against Rs. 96.65 Cr. in FY21, the growth in operating income is driven by continuous growth of the industry.The operating profitability in absolute terms, has also seen an uptrend in the last three years. The overall gearing stood at 0.06 times as on March 31, 2022 (Prov.) as against 0.12 times as on March 31, 2021. Going forward, sustaining the growth in scale of operations while maintaining the profitability margins and capital structure will be a key rating monitorable.

About the Company

Kataline Infra Products Private Limited (KIPPL) 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 marking materials, such as thermo-plastic paints and cold paints. It has its manufacturing unit located in Nagpur, Maharashtra.

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**

Incorporated in the year 2008, KIPPL is promoted by Mr. Amit Thatte and Mrs. Ketki Thatte. The promoters have been associated with the Road Marking industry for more than a decade. Their extensive experience 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 approx. 40 percent year on year to Rs. 136.71 Cr. in FY22(Prov.) as against Rs.96.65 Cr. in FY21.
Acuité believes that the company will benefit from its experienced management, long track of operations 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 above average debt protection metrics and coverage indicators. The networth increased to Rs. 38.10 Cr. as on March 31, 2022(Prov.) as against Rs. 29.06 Cr. as on March 31, 2021. The net worth levels have seen improvement over the last three years through FY22.The improvement in networth is due to accretion of profits to reserves. 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 0.06 times as on March 31, 2022(Prov.) as against 0.12 times as on March 31, 2021.The total outside liabilities to tangible net worth (TOL/TNW) improved to 0.83 times as on March 31, 2022(Prov.) as against 1.12 times as on March 31, 2021. The Company generated net cash accruals of Rs. 9.89 Cr. in FY2022 (Prov) as against Rs. 0.32 Cr. in FY2021. The EBITDA in absolute terms registered an improvement as it stood at Rs. 13.61 Cr. in FY2022 (Prov) as against Rs. 10.76 Cr. in FY2021, however, the operating margins declined marginally mainly on account of increase in raw material prices. The increase in the profitability level, coupled with low debt level, has led to comfortable debt protection measures. The ICR improved to 18.61 times in FY22(Prov.) as against 14.52 times in FY21. The NCA/TD improved to 4.67 times in FY22(Prov.) as against 2.26 times in FY21. The Debt to EBITDA ratio stood at 0.15 times in FY2022 (Prov.) as against 0.31 times in FY2021. The company is under the capex-plan in which the company will be refurbishing its existing unit to enhance the product capacity and generate cost efficiencies. The project is expected to be complete in FY2024. The cost of the project is Rs.15.00Cr (Rs. 5.25 cr towards setting up of a corporate office and remaining Rs. 9.75 cr towards adding new machineries)which is to be fully funded by internal accruals.
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, healthy cash accruals and no major debt funded capex in near to medium term.

Weaknesses

- **Working capital intensive nature of operations**

KIPPL's working capital operation is intensive in nature. However, it is improving as reflected by GCA days of 144 days as on March 31, 2022(Prov.) as against 185 days as on March 31, 2021. The GCA days are driven by debtor days and inventory days. The debtor days declined

to 91 days as on March 31,2022(Prov.) as against 125 days as on March 31, 2021. The debtor days declined due to change in payment terms of some of its existing customers and addition of new customers on immediate payment basis. The inventory days declined to 22 days as on March 31, 2022(Prov.) as against 26 days as on March 31, 2021 a. The creditor days stood at 88 days as on March 31,2022(Prov.) as against 133 days as on March 31, 2021.
Acuite believes that the working capital management to remain moderately intensive over the medium term .

Rating Sensitivities

- Sustaining the growth in scale of operations while maintaining the profitability margins and capital structure
- Any deterioration in working capital cycle

Material covenants
None

Liquidity Position: Strong
KIPPL's liquidity position is strong marked by healthy net cash accruals of approx. Rs. 10 Cr. against maturing debt obligation of Rs. 0.32 Cr. in FY22(Prov.). The company is expected to generate NCA of Rs.13-15 Cr. in FY23-24 as against maturing debt obligations of Rs.0.33-0.35 Cr. over the same period. The company's reliance on working capital is low indicated by 40 percent utilisation of CC for the six months period ended May,2022. The unencumbered cash and bank balance stood at Rs. 5.75 crore as on March 31, 2022(Prov.) The current ratio of the company stood at 2.07 times as on March 31, 2022(Prov.).
Acuité believes that the liquidity of the company is likely to remain strong over the medium term on account of healthy cash accruals to its maturing debt obligation.

Outlook: Stable
Acuité believes that KIPPL will maintain a 'Stable' outlook over medium term on account of experience of its management,and established track record of operations The outlook may be revised to 'Positive' in case the Company achieves higher than expected improvement in its scale of operations while maintaining its profitability. Conversely, the outlook may be revised to 'Negative' in case of slower than expected growth in scale of operations or any further elongation in its working capital cycle impacting its liquidity profile

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	136.71	96.65
PAT	Rs. Cr.	9.04	7.05
PAT Margin	(%)	6.61	7.29
Total Debt/Tangible Net Worth	Times	0.06	0.12
PBDIT/Interest	Times	18.61	14.52

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
• Entities In Manufacturing Sector -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

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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
01 Jul 2022	Cash Credit	Long Term	8.00	ACUITE BBB+ | Stable (Upgraded from ACUITE BBB | Stable)
	Proposed Bank Facility	Long Term	0.50	ACUITE BBB+ | Stable (Upgraded from ACUITE BBB | Stable)
	Letter of Credit	Short Term	4.00	ACUITE A2 (Upgraded from ACUITE A3+)
	Term Loan	Long Term	2.00	ACUITE BBB+ | Stable (Upgraded from ACUITE BBB | Stable)
	Bank Guarantee	Short Term	0.50	ACUITE A2 (Upgraded from ACUITE A3+)
07 Apr 2021	Proposed Bank Facility	Long Term	0.50	ACUITE BBB | Stable (Upgraded from ACUITE BBB- | Stable)
	Letter of Credit	Short Term	4.00	ACUITE A3+ (Upgraded from ACUITE A3)
	Bank Guarantee	Short Term	0.50	ACUITE A3+ (Upgraded from ACUITE A3)
	Term Loan	Long Term	2.00	ACUITE BBB | Stable (Assigned)
	Cash Credit	Long Term	8.00	ACUITE BBB | Stable (Upgraded from ACUITE BBB- | Stable)
03 Jan 2020	Proposed Bank Facility	Short Term	9.87	ACUITE A3 (Upgraded from ACUITE A4+)
	Proposed Bank Facility	Long Term	5.13	ACUITE BBB- | Stable (Upgraded from ACUITE BB+)
22 Nov 2019	Proposed Bank Facility	Short Term	0.62	ACUITE A4+ (Issuer not co-operating*)
	Bank Guarantee	Short Term	0.25	ACUITE A4+ (Issuer not co-operating*)
	Cash Credit	Long Term	4.50	ACUITE BB+ (Issuer not co-operating*)
	Letter of Credit	Short Term	4.00	ACUITE A4+ (Issuer not co-operating*)
	Term Loan	Long Term	0.63	ACUITE BB+ (Issuer not co-operating*)
25 Apr 2019	Cash Credit	Long Term	4.50	ACUITE BBB- (Issuer not co-operating*)
	Bank Guarantee	Short Term	0.25	ACUITE A3 (Issuer not co-operating*)
	Proposed Bank Facility	Short Term	0.62	ACUITE A3 (Issuer not co-operating*)
	Term Loan	Long Term	0.63	ACUITE BBB- (Issuer not co-operating*)
	Letter of Credit	Short Term	4.00	ACUITE A3 (Issuer not co-operating*)
	Cash Credit	Long Term	4.50	ACUITE BBB- | Stable (Assigned)
	Term Loan	Long Term	0.63	ACUITE BBB- | Stable (Assigned)

05 Feb 2018	Bank Guarantee	Short Term	0.25	ACUITE A3 (Assigned)
	Letter of Credit	Short Term	4.00	ACUITE A3 (Assigned)
	Proposed Short Term Loan	Short Term	0.62	ACUITE A3 (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
HDFC Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE A2 | Reaffirmed
HDFC Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE A2 | Assigned
HDFC Bank Ltd	Not Applicable	Bills Discounting	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE A2 | Assigned
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE BBB+ | Stable | Reaffirmed
HDFC Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE A2 | Reaffirmed
HDFC Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A2 | Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	2.50	ACUITE BBB+ | Stable | Reaffirmed
Not Applicable	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE A2 | Assigned
State Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	2.00	ACUITE BBB+ | Reaffirmed & Withdrawn

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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.