

Press Release

Kritika Wires Private Limited (KWPL)

09 March, 2017



Rating Assigned

Total Bank Facilities Rated*	Rs. 87.00 Cr.
Long Term Rating	SMERA BBB / Outlook:Stable
Short Term Rating	SMERA A2

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BBB**' (read as **SMERA triple B**) and short term rating of '**SMERA A2**' (read as **SMERA A two**) on the Rs. 87.00 crore bank facilities of Kritika Wires Private Limited (KWPL). The outlook is '**Stable**'.

Kritika Wires Private Limited was incorporated in 2006 by Mr. Naresh Kumar Agarwal and Mr. Sanjeev Binani and is engaged in the manufacturing of galvanized and non-galvanized wires. The company has two manufacturing unit located in same premises in Dhulagarh Industrial Park (Kolkata) with a combined installed capacity of 5200 TPA. The company caters to state electricity boards such as West Bengal State Electricity Distribution Company Limited (WBSEDCL), Punjab State Power Corporation Limited (PSPCL), Uttar Pradesh Power Corporation Limited (UPPCL), and Gujarat Urja Vikas Nigam Limited (GUVNL) among others. Apart from the government parties, the company also supplies wires to private companies such as Bajaj Wires Private Limited, Lumino Industries Limited, Laser Power & Infra Pvt Ltd and etc. They also engaged in export of wires to Bangladesh.

Key Rating Drivers

Strengths

• Experienced management and long track record of operation

The promoters of the company Mr Naresh Kumar Agarwal and Mr. Sanjeev Binani have experience of more than a decade in the wire and cables industry.

• Healthy financial risk profile

The financial risk profile of the company is marked by healthy net worth, comfortable gearing and moderate debt protection measures. KWPL has a healthy net worth of Rs 38.87 crs as on 31st March'2017 as compared to Rs.34.55 crore in FY2016. Networth includes unsecured loan of Rs. 3.00 crores which is subordinated to bank debt and hence treated as quasi equity by SMERA. The gearing of the company stood comfortable at 0.94 times in FY2017 as compare to 0.86 times in the previous year. The total debt of Rs 36.65 crs consists mainly of cash credit of Rs. 33.10 crs, term loan of Rs.0.24 crore and unsecured loan from promoters of Rs.3.30 crore. The debt protection measures of the company stood moderate with interest coverage of 1.89 times in FY'17 as compared to 1.86 times in FY'16. Debt service coverage ratio (DSCR) stood comfortable at 1.68 times in FY2017 as against of 1.51 times in previous year. The NCA/TD levels of the company stood at 0.13 times in FY'17 as against 0.17 times in the previous year.

• Established relationship with customers and suppliers

Over the years, KWPL has developed established relationship with its customers and suppliers. Its customer includes mainly DISCOM's along with renowned private customers such as Bajaj Wires Pvt Ltd, Lumino Industries Limited, and Laser Power & Infra Pvt Ltd. Its major supplier for steel wire rods includes Tata Steel Limited, Jindal Steel and Power Limited, Electro Steel Casting Ltd and Rashtriya Ispat Nigam Limited (RINL) among others.

Weaknesses

• Modest scale of operation

KWPL revenue stood modest at Rs. 204.65 crore in FY 2017 against Rs. 211.73 crore in FY 2016. The company has reported revenue of Rs.196.58 crore as on 31st January 2018 (Provisional). Going forward, SMERA believes the revenue of the company is likely to increase steadily on account of healthy order book position.

• Working capital intensive nature of operation

The working capital intensive nature of operations is marked by high gross current asset (GCA) days of 148 days in FY2017 as compared to 157 days in FY2016. The inventory days are moderate at 39 days in FY2017 as compared to 41 days in FY2016. The debtor days stand at 90 days in FY2017 as compared to 97 days in FY2016. The high debtor days are mainly due to late payment realization from DISCOM's.

Analytical Approach

SMERA has considered the standalone business and financial risk profile of KWPL.

Outlook: Stable

SMERA believes the outlook on KWPL rated facilities will remain stable over the medium term backed by its experienced management and healthy financial risk profile. The outlook may be revised to 'Positive' in case of significant improvement in scale of operations while efficiently managing its working capital cycle. The outlook may be revised to 'Negative' in case of the company its working capital cycle gets stretched or its financial risk profile deteriorates.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	204.65	211.73	181.56
EBITDA	Rs. Cr.	10.89	10.77	9.59
PAT	Rs. Cr.	2.32	2.75	1.46
EBITDA Margin	(%)	5.32	5.09	5.28
PAT Margin	(%)	1.13	1.30	0.80
ROCE	(%)	13.89	14.24	21.67
Total Debt/Tangible Net Worth	Times	0.94	0.86	1.17
PBDIT/Interest	Times	1.89	1.86	1.84
Total Debt/PBDIT	Times	3.02	2.48	3.62
Gross Current Assets (Days)	Days	148	157	135

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

NA

Any other information

NA

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

- Manufacturing Entities - <https://www.smera.in/criteria-manufacturig.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

***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	20.50	SMERA BBB/ Stable
Cash Credit	Not Applicable	Not Applicable	Not Applicable	19.00	SMERA BBB/ Stable
Bill Discounting	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA A2
Bill Discounting	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA A2
Proposed Long Term	Not Applicable	Not Applicable	Not Applicable	0.40	SMERA BBB/ Stable
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	5.50	SMERA A2
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	8.50	SMERA A2
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	4.50	SMERA A2
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	8.60	SMERA A2

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ABOUT SMERA

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instruments such as Bonds, Debentures, Commercial Papers, Fixed Deposits, Certificate of Deposits etc.. For more details, please visit www.smera.in.

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