

Press Release

Krivi Metalex Private Limited

July 10, 2018



Rating Assigned

| | |
|-------------------------------------|-----------------------------|
| Total Bank Facilities Rated* | Rs. 25.00 Cr. |
| Long Term Rating | ACUITE BB / Outlook: Stable |
| Short Term Rating | ACUITE A4+ |

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE BB**' (**read as ACUITE double B**) and short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) on the Rs.25.00 crore bank facilities of Krivi Metalex Private Limited. The outlook is '**Stable**'.

Krivi Metalex Private Limited (KMPL) was incorporated in 2013 by Mr. Raj Bhalala and Mrs. Rita Bhalala. The Mumbai-based company is engaged in trading of solar cells and mercerised fabrics. Initially the company was engaged in trading of TMT Bars but later in FY2015, it diversified its business to sale of solar cells. Trading in mercerised fabrics began in May 2017. KMPL is also setting up a printing unit which will be operational by July, 2018.

Key Rating Drivers

Strengths

- **Improvement in scale of operations and profitability margins**

KMPL has shown improvement in scale of operations during the period under the study i.e. FY2015 to FY2018 (Provisional). The revenue stood at Rs.76.27 crore for FY2018 (Provisional) as against Rs.63.92 crore in FY2017 and Rs.35.57 crore in FY2016. The profitability margins have improved as well during FY2015 to FY2018 (Provisional). The EBITDA margins stood at 3.06 percent in FY2018 (Provisional) as against 2.74 percent in FY2017 and 1.71 percent in FY2016. The reason for improvement in margins is because of the introduction of fabric sales from FY2018 which has enabled the company to maintain its margins. The net profit margins have also improved at 2.31 percent in FY2018 (Provisional) as against 1.48 percent in FY2017 and 0.79 percent in FY2016. Acuité believes that the company will sustain the scale of operations and profitability margins on account of diversification in the existing business profile (trading of fabrics and solar cells) over the near to medium term.

- **Moderate financial risk profile**

The financial risk profile of KMPL is moderate marked by tangible net worth of Rs.12.62 crore which includes unsecured loans to the tune of Rs.5.45 crore considered as quasi-equity as on 31 March, 2018 (Provisional). The net worth stood at Rs.9.68 crore as on 31 March, 2017. The gearing stood at 0.41 times as on 31 March, 2018 (Provisional) as against 0.09 times as on 31 March, 2017. The total debt of Rs.5.21 crore outstanding as on 31 March, 2018 (Provisional) comprises Rs.0.21 crore as vehicle loans, and Rs.5.00 crore as working capital limits from the bank. The interest coverage ratio stood at 3.92 times in FY2018 (Provisional) as against 2.61 times in FY2017. TOL/TNW stood at 2.32 times as on 31 March, 2018 (Provisional) as against 1.36 times as on 31 March, 2017. The net cash accruals stood at Rs.1.85 crore in FY2018 (Provisional) as against Rs.1.07 crore in FY2017. Acuité believes that the company will maintain its financial risk profile on the back of healthy generation of net cash accruals over the near to medium term.

Weaknesses

• Customer concentration risk

KMPL is engaged into trading of solar cells and fabrics. Solar cells sales are entirely supplied to Waaree Energies Limited. In FY2018 (Provisional), around 62.07 percent of the revenue was from Solar cells sales and remaining 37.93 percent was from fabric. Thus, the company is exposed to customer concentration risk. However, this risk is mitigated to a certain extent as the company has diversified to mercerised fabric sales as well from FY2018.

• Working capital intensive operations

The operations of KMPL are working capital intensive marked by Gross Current Assets of 164 days in FY2018 (Provisional) as against 83 days in FY2017. This is majorly on account of increase in receivable days and inventory holding period as the company has diversified in to trading of fabrics from FY2018. The debtor days stood at 71 days in FY2018 (Provisional) as against 71 days in FY2017. The suppliers have been stretched at 122 days in FY2018 (Provisional) as against 71 days in FY2017. The company has unencumbered cash and bank balance of Rs.7.03 crore as on 31 March, 2018 (Provisional). Acuité believes that the ability of the company to efficiently manage its working capital requirement over the medium term will be a key rating sensitivity.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of KMPL to arrive at the rating.

Outlook: Stable

Acuité believes that KMPL will maintain a 'Stable' outlook and continue to benefit over the medium term on account of diversified business risk profile. The outlook may be revised to 'Positive' in case the company registers substantial increase in profitability margins supported by healthy revenue growth or significant improvement in its capital structure. Conversely, the outlook may be revised to 'Negative' in case of any adverse changes in contractual agreements with the key customer (M/S Waaree Energies Limited) and elongated working capital cycle.

About the Rated Entity - Key Financials

| | Unit | FY18 (Provisional) | FY17 (Actual) | FY16 (Actual) |
|-------------------------------|---------|--------------------|---------------|---------------|
| Operating Income | Rs. Cr. | 76.27 | 63.92 | 35.57 |
| EBITDA | Rs. Cr. | 2.34 | 1.75 | 0.61 |
| PAT | Rs. Cr. | 1.76 | 0.94 | 0.28 |
| EBITDA Margin | (%) | 3.06 | 2.74 | 1.71 |
| PAT Margin | (%) | 2.31 | 1.48 | 0.79 |
| ROCE | (%) | 19.21 | 25.46 | 16.72 |
| Total Debt/Tangible Net Worth | Times | 0.41 | 0.09 | 0.07 |
| PBDIT/Interest | Times | 3.92 | 2.61 | 2.35 |
| Total Debt/PBDIT | Times | 1.84 | 0.43 | 0.40 |
| Gross Current Assets (Days) | Days | 164 | 83 | 118 |

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-6.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument
<https://www.acuite.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. Crore) | Ratings/Outlook |
|------------------------|------------------|----------------|----------------|-------------------------------|-------------------------------|
| Cash Credit | Not Applicable | Not Applicable | Not Applicable | 10.00* | ACUITE BB / Stable (Assigned) |
| Letter of credit | Not Applicable | Not Applicable | Not Applicable | 15.00 | ACUITE A4+ (Assigned) |

*100% interchangeability to LC

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About Acuité Ratings & Research:

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