

Press Release

Krivi Metalex Private Limited

September 12, 2019



Rating Reaffirmed

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 reaffirmed 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**'.

Mumbai-based, KMPL was incorporated in 2013 by Mr. Raj Bhalala and Mrs. Rita Bhalala. KMPL is engaged in trading of mercerized fabrics and solar cells. KMPL derives 85 per cent of the revenue from mercerized fabrics and 15 per cent from the sale of solar cells. The company imports mercerized fabrics from China and sells to t-shirt manufacturers of Mumbai, Delhi and Ludhiana.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced management**

The promoter, Mrs. Rita Bhalala, has extensive experience of more than two decades of handling various businesses and is well supported by second line of management comprising, Mr. Raj Bhalala. Acuité believes that the experience of the management is expected to support in improvement of the business risk profile over the medium term.

- **Growth in operating margins albeit decline in sales**

The operating margin has improved to 5.46 per cent in FY2019 (Provisional) as against 3.52 per cent in FY2018. The improvement in margins is on account of addition of new business segment i.e. trading and printing of fabrics. The company imports fabrics from China and sells into domestic market. However, the company registered operating income of Rs.58.83 crore in FY2019 (Provisional) as against Rs.75.31 crore in FY2018. This decline in revenues is mainly due to low sales registered under solar cells division.

Weaknesses

- **Working capital intensive operations**

KMPL's operations are working capital intensive in nature as reflected in gross current assets (GCA) of 178 days in FY2019 (Provisional) as compared to 161 days in FY2018. These high GCA days emanates from high debtor days of 107 days in FY2019 (Provisional) as compared to 93 days in FY2018. The operations of company are expected to remain working capital intensive, as the company offers high credit period to customers. The inventory days stood at 54 days in FY2019 (Provisional) as compared to 22 days in FY2018. KMPL enjoys credit period of 71 days in FY2019 (Provisional) from its suppliers which moderates the working capital requirements.

- **Average financial risk profile**

KMPL has average financial risk profile marked by tangible net worth of Rs.7.81 crore as on 31 March, 2019 (Provisional) as against Rs.6.58 crore as on 31 March, 2018. The gearing stood at 2.10 times as on 31 March, 2019 (Provisional) as against 1.66 times as on 31 March, 2018. The debt of Rs.16.41 crore as on 31 March, 2019 (Provisional) consists of working capital borrowing of Rs.8.95 crore, unsecured loans from promoters and other corporates of Rs.7.31 crore and term loans of

Rs.0.15 crore.

The coverage ratios are moderate with Interest Coverage Ratio (ICR) of 1.70 times for FY2019 (Provisional) against 2.93 times for FY2018. Debt Service Coverage Ratio (DSCR) improved to 1.52 times for FY2019 (Provisional) against 2.29 times for FY2018. The total outside liabilities to tangible net worth (TOL/TNW) stood at 3.48 times as on March 31, 2019 (Provisional) against 5.23 times as on March 31, 2018. Further, Net Cash Accruals to Total Debt (NCA/TD) stood at 0.07 times in FY2019 (Provisional) as against 0.14 times in FY2018.

Liquidity Position

Liquidity profile of KMPL is adequate reflected by sufficient net cash accruals against its maturing debt obligations. KMPL has reported cash accruals of Rs.1.09 crore in FY2019 (Provisional) and expected to generate cash accruals in the range of Rs.2 crore – Rs. 3.00 crore over the medium term against repayment obligations of Rs.0.15 crore. The utilisation of working capital limits remains 70-80 per cent. The current ratio stood at 1.72 times in FY2019 (Provisional). Acuité believes that the cushion in its accruals is expected to be absorbed into its incremental working capital operations resulting into adequate liquidity profile.

Outlook: Stable

Acuité believes that KMPL will maintain a 'Stable' outlook over the medium term on the back of its experienced management. The outlook may be revised to 'Positive' in case the firm registers higher-than-expected growth in its revenue and profitability, while improving its liquidity position. Conversely, the outlook may be revised to 'Negative' in case the firm registers lower-than-expected growth in revenues and profitability or in case of deterioration in the firm's financial risk profile or significant elongation in working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	58.83	75.31	63.92
EBITDA	Rs. Cr.	3.21	2.65	1.75
PAT	Rs. Cr.	0.89	1.42	0.94
EBITDA Margin	(%)	5.46	3.52	2.74
PAT Margin	(%)	1.52	1.89	1.48
ROCE	(%)	16.03	21.73	25.46
Total Debt/Tangible Net Worth	Times	2.10	1.66	0.98
PBDIT/Interest	Times	1.70	2.93	2.61
Total Debt/PBDIT	Times	4.64	3.47	2.50
Gross Current Assets (Days)	Days	178	161	83

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-17.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)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
10-Jul-2018	Cash Credit	Long Term	10.00	ACUITE BB / Stable (Assigned)
	Letter of Credit	Short Term	15.00	ACUITE A4+ (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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BB / Stable (Reaffirmed)
Letter of credit	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A4+ (Reaffirmed)

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About Acuité Ratings & Research:

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