

Press Release

Kavita Auxiliaries Private Limited

December 21, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 7.00 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B+**' (**read as ACUITE B plus**) to the Rs. 7.00 crore bank facilities of Kavita Auxiliaries Private Limited (KAPL). The outlook is '**Stable**'.

Kavita Auxiliaries Private Limited (erstwhile Kavita Texochem) was established as a proprietorship firm in 1998 by Mrs. Parijat Vishvas Gajarmal. Later in 1999 the constitution was changed to partnership firm and Mr. Vishvas Rangnath Gajarmal joined as a partner. Further, in 2002, the constitution was changed into private limited company. The company is engaged in manufacturing of textile chemicals (i.e. Antistatic oil/agent). The manufacturing unit is located in Silvassa with installed capacity of 1500 tons per annum with ~40 percent utilization.

Analytical Approach

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

Key Rating Drivers

Strengths

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

KAPL has an operational track record of over two decades in the chemical industry. The directors of the company have experience of over two decades in the same line of business. Hence, long track records of operations and vast experience of the management has helped the company to develop healthy relationship with its customers and suppliers. Acuité believes that KAPL will sustain its existing business profile on the back of established track record of operations and experienced management.

Weaknesses

- **Moderate scale of operations and profitability**

KAPL has moderate scale of operations marked by operating income of Rs.34.15 crore in FY2018 as against Rs.22.83 crore in FY2017. The increase in revenues is mainly due to increased orders from existing and new customers. Further, the company has reported operating revenue of ~Rs.20.00 crore from April 2018-November 2018. The operating margins stood at 3.78 percent in FY2018 as against 3.72 percent in FY2017. The PAT margins stood at 1.28 percent in FY2018 and 0.68 percent in FY2017.

- **Average financial risk profile**

The financial risk profile of the company is average marked by net worth of Rs.3.28 crore as on 31 March, 2018 as against Rs.2.84 crore as on 31 March, 2017. Gearing (debt-equity) stood at 1.82 times as on 31 March, 2018 and 1.96 times as on 31 March, 2017. The total debt of Rs.5.98 crore as on 31 March, 2018 mainly comprises Rs.4.92 crore of working capital facility, Rs.0.94 crore of unsecured loans and Rs.0.12 crore of long term debt. Interest Coverage Ratio (ICR) stood at 2.13 times for FY2018 as against 1.46 times for FY2017. TOL/TNW stood at 3.38 times as on 31 March, 2018 as against 3.78 times as on 31 March, 2017. Further, Debt to EBITDA stood at 4.62 times for FY2018 as against 6.55 times for FY2017.

- **Working capital intensive operations**

The company has working capital intensive nature of operations marked by Gross Current Assets (GCA) of 148 days for FY2018 and 213 days for FY2017. Inventory stood at 39 days for FY2018 as against 56 days for FY2017. The debtor days stood at 83 days for FY2018 as against 133 days for

FY2017. Acuité believes that the company's ability to maintain its working capital efficiently will remain a key to maintain stable credit profile.

• Susceptibility of profit margins to fluctuations in raw material prices

The raw material used is base oil which is produced by means of refined crude oil. The prices of crude oil are fluctuating and hence, profit margins are susceptible to volatility in raw material prices.

Outlook: Stable

Acuité believes that KAPL will maintain a 'Stable' outlook over the medium term on the back of its established track record of operations and experienced management. The outlook may be revised to 'Positive' in case the company registers significant growth in its revenue and profitability while maintaining comfortable liquidity position. Conversely, the outlook may be revised to 'Negative' in case 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 working capital cycle

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	34.15	22.83	22.71
EBITDA	Rs. Cr.	1.29	0.85	1.02
PAT	Rs. Cr.	0.44	0.15	0.29
EBITDA Margin (%)	(%)	3.78	3.72	4.50
PAT Margin (%)	(%)	1.28	0.68	1.26
ROCE (%)	(%)	13.69	10.15	26.16
Total Debt/Tangible Net Worth	Times	1.82	1.96	1.78
PBDIT/Interest	Times	2.13	1.46	1.98
Total Debt/PBDIT	Times	4.62	6.55	4.68
Gross Current Assets (Days)	Days	148	213	194

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>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.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. Cr.)	Ratings/Outlook
Cash Credit#	Not Applicable	Not Applicable	Not Applicable	5.80	ACUITE B+ / Stable
Proposed	Not Applicable	Not Applicable	Not Applicable	1.20	ACUITE B+ / Stable

#Cash Credit includes sublimit of ODBD of Rs. 5.00 crore.

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About Acuité Ratings & Research:

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