

Press Release

KATYAINI PRODUCTS PRIVATE LIMITED

January 11, 2019



Rating Assigned

Total Bank Facilities Rated*	Rs. 19.00 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 minus**) and short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) to the Rs. 19.00 crore bank facilities of KATYAINI PRODUCTS PRIVATE LIMITED (KPPL). The outlook is '**Stable**'.

Established in 1998, KPPL is a Jaipur based company engaged in manufacturing of transformer lamination, core assemblies, PT laminations and CRGO electrical coils and CRGO toroidal coils. The day to day operations are managed by its Managing Director, Mr. Vimal Kumar Kathotia along with other Directors. The manufacturing unit of the company is located in Jaipur (Rajasthan) with installed capacity of 400 Metric Tonnes per Month (MTPM) which had increased in September, 2018 from 300 MTPM.

Analytical Approach

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

Key Rating Drivers

Strengths

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

KPPL commenced operations from 1998. The company is promoted by its managing director, Mr. Rahul Kathotia who possess experience of more than two decades in transformer stamping and lamination industry. The other director, Mr. Vimal Kumar Kathotia has experience of four decades in various industries including pharmaceutical, petrochemical, mechanical, mining and electrical. The extensive experience of the Directors has enabled the company forge healthy relationships with customers and suppliers.

Acuité believes that KPPL will continue to benefit from its experienced management and established relationships with customers.

- **Moderate financial risk profile**

The financial risk profile is moderate marked by moderate net worth, gearing and comfortable debt protection measures. The net worth of the company is moderate at Rs.4.73 crore as on 31 March, 2018 as against Rs.4.26 crore as on 31 March, 2017. The gearing of the company stood high at 1.51 times as on March 31, 2018 as against 0.97 times as on 31 March, 2017. Interest Coverage Ratio (ICR) improved to 2.60 times in FY2018 from 1.84 times in FY2017. Debt Service Coverage Ratio (DSCR) improved to 2.28 times for FY2018 from 1.65 times in FY2017. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.09 times as on 31 March, 2018 as against 0.14 times as on 31 March, 2017. Total outside Liabilities/Tangible Net Worth (TOL/TNW) deteriorated to 5.46 times as on 31 March, 2018 from 2.49 times as on 31 March, 2017. Acuité believes that the financial risk profile of KPPL will improve over the medium term on account of its improving scale of operations and no major debt funded capital expansion.

Weaknesses

• Moderate scale of operations and declining profitability

The company has reported moderate revenue growth with compounded annual growth rate (CAGR) of around 7.00 percent through the last three years ended 31 March, 2018. The company reported moderate revenue growth of ~15 percent with operating income of Rs.43.26 crore in FY2018 as against operating income of Rs.37.56 crore in FY2017 and Rs.37.21 crore in FY2016. The operating margin of the company is on declining trend marked by 3.66 percent in FY2016, 3.08 percent in FY2017 and 2.68 percent in FY2016.

• Intensive working capital operations

KPPL has intensive working capital operations marked by high Gross Current Assets (GCA) of 134 days in FY2018 as against 137 days in FY2017. The company maintains inventory of around 30 days on an average and extends clean credit of around 120 days to its customers, resulting in high GCA days. The inventory and debtors levels stood at 25 days and 105 days in FY2018 as against 29 days and 89 days in FY2017, respectively. As a result, the average utilisation of bank limits stood high at ~85 percent in the last six months. Acuité believes that the working capital requirements will continue to remain intensive over the medium term on account of credit terms provided to debtors in the industry.

• Susceptibility of profitability to volatility in material prices

The raw material prices are highly volatile in nature adversely impacting the profitability margins of the company. Further, the company is also exposed to fluctuation in currency prices.

Outlook: Stable

Acuité believes that KPPL will maintain 'Stable' outlook over the medium term from the industry experience of its promoters. The outlook may be revised to 'Positive' if there is substantial and sustained improvement in KPPL's operating income or profitability, while maintaining its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of weakening of its capital structure and debt protection metrics.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	43.32	38.01	37.61
EBITDA	Rs. Cr.	1.22	1.61	1.76
PAT	Rs. Cr.	0.44	0.39	0.40
EBITDA Margin	(%)	2.81	4.23	4.68
PAT Margin	(%)	1.02	1.03	1.06
ROCE	(%)	10.92	17.67	38.09
Total Debt/Tangible Net Worth	Times	1.51	0.97	1.07
PBDIT/Interest	Times	2.60	1.84	1.88
Total Debt/PBDIT	Times	5.46	2.49	2.35
Gross Current Assets (Days)	Days	134	136	94

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	4.00	ACUITE BB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BB- / Stable
Bills Discounting	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A4+
Letter of credit	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE A4+

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About Acuité Ratings & Research:

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