



Press Release

Katyaini Products Private Limited

May 07, 2021

Rating Reaffirmed

Total Bank Facilities Rated*	Rs. 19.00 crore*
Long Term Rating	ACUITE BB/ Outlook: Stable (Reaffirmed)
Short Term Rating	ACUITE A4+ (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BB**' (read as **ACUITE double B**) and the short-term rating to '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs. 19.00 crore bank facilities of Katyaini Products Private Limited (KPPL). The outlook is revised to '**Stable**'.

Rationale for rating reaffirmation

The rating reaffirmation reflects sustained business risk profile with operating income growing at a five-year CAGR of 12.11 per cent, healthy financial risk profile and adequate liquidity position. These rating strengths are partially offset by deterioration in operating profit margins and working capital intensive nature of operations.

About the company

Jaipur based, KPPL was incorporated in the year 1998 and is engaged in the manufacturing of transformer laminations and core assemblies, PT laminations and CRGO electrical coils and CRGO toroidal coils. The day to day operations are managed by the company's Managing Director, Mr. Vimal Kumar Kathotia along with other Directors. The manufacturing unit of the company is located in Jaipur (Rajasthan) with an installed capacity of 400 Metric tonnes per Month (MTPM).

Analytical Approach

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

Key Rating Drivers

Strengths

- **Established presence in the industry with considerable experience of promoters**

KPPL was incorporated in the year 1998 and is engaged in the manufacturing of transformer laminations and core assemblies, PT laminations and CRGO electrical coils and CRGO toroidal coils. The management of KPPL has experience of more than two decades in the aforementioned line of business, which helps the company in building its sales and procurement network.

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

• Healthy Financial Risk Profile

KPPL's financial risk profile is healthy, marked by moderately low gearing and above average debt protection metrics.

KPPL's net worth is moderate, estimated at around Rs. 5.07 crores as on March 31, 2020. The net worth levels have seen significant improvement over the last three years through FY2020 on account of moderate accretion to reserves during the same period.

The company has followed a moderately aggressive financial policy in the past, the same is reflected through its peak gearing and total outside liabilities to tangible net worth (TOL/TNW) levels of 1.15 times and 2.42 times as on March 31, 2020, over the past three years. The leverage levels have improved to 0.74 times as on March 31, 2020. The total debt of Rs. 5.07 crore as on 31 March 2020 comprised of vehicle and equipment loans of Rs. 1.45 crores, unsecured loans of Rs. 0.46 crore and Rs. 3.16 crore of working capital borrowings.

Moderate profitability has led to healthy debt coverage indicators of the company marked by debt-service-coverage-ratio and interest coverage ratio of 2.19 times and 4.49 times, respectively as on 31st March, 2020. Acuite believes the overall financial risk profile is expected to remain healthy over the medium term.

Weaknesses**• Working capital intensive nature of operations**

The working capital operations have improved though remained intensive with Gross Current Assets (GCA) of 118 days for FY2020 as against 133 days in the previous year. This is mainly due to 82 days of debtors and 35 days of inventory as at the end of FY2020. However, the company is able to manage its working capital cycle effectively due to favorable credit period received from its suppliers with payable days at 87 for FY2020. Acuite expects the company's operations to improve though remain stretched on account of high debtors' collection period.

Rating Sensitivity

- Substantial improvement in scale of operations
- Significant deterioration in its working capital management
- Decline in profitability levels, thereby impacting company's debt coverage indicators

Material Covenants

None

Liquidity: Adequate

The company has adequate liquidity profile marked by adequate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs. 1.63 crore during FY2020, while its maturing debt obligations were Rs. 0.61 crore for the same period. The company's working capital operations are intensive marked by GCA of 118 days for FY2020. However, company's reliance on working capital borrowings has remained low and the limits remained utilized at 74.38 per cent during the last six months till January 2021. Acuite believes that the liquidity of the company is likely to remain adequate over the medium term on account of adequate cash accruals owing to moderate profitability over the medium term.

Outlook: Stable

Acuite believes that KPPL will maintain 'Stable' business risk profile on account of its experienced

management and healthy capital structure. The outlook may be revised to 'Positive' in case the company registers substantial increase in its profitability margins supported by healthy revenue growth. Conversely, the outlook may be revised to 'Negative' in case of any deterioration in company's financial risk and liquidity profiles.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	58.15	51.88
PAT	Rs. Cr.	0.95	1.17
PAT Margin	(%)	1.64	2.25
Total Debt/Tangible Net Worth	Times	0.74	1.16
PBDIT/Interest	Times	4.49	3.54

Status of non-cooperation with other CRA

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Up to previous three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
06-Feb-2020	Cash Credit	Long term	4.00	ACUITE BB/ Stable (Upgraded)
	Term Loan	Long term	2.00	ACUITE BB/ Stable (Upgraded)
	Bill Discounting	Short term	5.00	ACUITE A4+ (Reaffirmed)
	Letter of Credit	Short term	8.00	ACUITE A4+ (Reaffirmed)
11-Jan-2019	Cash Credit	Long term	4.00	ACUITE BB-/ Stable (Assigned)
	Term Loan	Long term	2.00	ACUITE BB-/ Stable (Assigned)
	Bill Discounting	Short term	5.00	ACUITE A4+ (Assigned)

	Letter of Credit	Short term	8.00	ACUITE A4+ (Assigned)
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***Annexure 1 – 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	3.00	ACUITE BB/ Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.70	ACUITE BB/ Stable (Reaffirmed)
Bill Discounting	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE A4+ (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	12.30	ACUITE A4+ (Reaffirmed)

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About Acuite Ratings & Research:

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