Press Release

Katyaini Products Private Limited

July 29, 2022

Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	15.30	-	ACUITE A4+ | Reaffirmed
Bank Loan Ratings	3.70	ACUITE BB | Stable | Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	19.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuité 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 growing operating income, healthy financial risk profile and adequate liquidity position.

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

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

Healthy Financial Risk Profile
KPPL has healthy financial risk profile marked by modest net worth and strong debt protection metrics. The group's net worth stood at Rs. 9.49 Cr as on 31st March 2022(Prov.) as against Rs. 7.62 Cr as on 31st March 2021(Audited). Gearing levels (debt-to-equity) stood at 1.09 times as on March 31, 2022 as against 0.79 in FY 2021(Audited). Gearing ratio in FY 22 increased due to additional on boarding of debt. Further, the interest coverage ratio stood healthy at 4.07 times for FY2022 (Prov.) as against 2.83 times in FY2021. However, Debt service coverage ratio stood healthy at 2.10 times in FY2022 (Prov.) in comparison to 1.55 times in FY2021 (Audited). Total outside liabilities to total net worth (TOL/TNW) stood at 2.80 times as on FY2022 (Prov.) vis-à-vis 2.49 times as on FY2021 (Audited). However, Debt-EBITA stood at 2.45 times as on 31st March 2022(Prov.) as against 2.23 times as on 31st March 2021.

Improved Revenue and profitability
KPPL reported operating income of Rs. 54.83 Cr in FY2022 (Prov.) as against Rs. 51.97 Cr in FY2021 (Audited). EBITDA margin stood at 7.34 % in FY22 (Prov.) in comparison to 4.96% in FY21 (Audited). Further, Net Profit margin has increased from 1.40% in FY2021 (Audited) to 3.39% in FY2022 (Prov.).

Weaknesses

Intensive working capital operations
Working capital requirements of the group are intensive as evident from gross current assets (GCA) of 179 days for FY2022 (Prov.) as against 132 days for FY2021. Further, debtors' days stood at 73 days as on 31 March 2022(Prov.) as against 109 days in previous year. Inventory days are 109 days in FY 22 in comparison to 23 days in FY 21. Management informed that they are expecting price rise in near future accordingly company is targeting higher inventory. Current Ratio stood at 1.45 times as on 31 March 2022(Prov.) as against 1.23 in the previous year. Average Bank Limit Utilization for last 6 months stood at 64.50%

Rating Sensitivities

- Substantial improvement in scale of operations
- Significant improvement in working capital management
- Comapny's ability to improve its Operating income and Profitability Margin

Material covenants

None

Liquidity Position

Adequate
KPPL has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. KPPL generated cash accruals of Rs. 2.53 crore for FY2022 (Prov.) as against Rs.0.56 crore of repayment obligations for the same period. Further KPPL has Fixed deposits of 2.29 crores as on March 31, 2022. Current Ratio stood at 1.45 times as on 31 March 2022(Prov.) as against 1.23 times in the previous year. Therefore, group has sufficient liquidity to meets its requirements.

stable

Acuité 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.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	54.83	51.97
PAT	Rs. Cr.	1.86	0.73
PAT Margin	(%)	3.39	1.40
Total Debt/Tangible Net Worth	Times	1.09	0.79
PBDIT/Interest	Times	4.07	2.83

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

None

Any other information

None

Applicable Criteria

• Default Recognition - https://www.acuite.in/view-rating-criteria-52.htm
• Entities In Manufacturing Sector -https://www.acuite.in/view-rating-criteria-59.htm
• Manufacturing Entities: https://www.acuite.in/view-rating-criteria-59.htm
• Application Of Financial Ratios And Adjustments: https://www.acuite.in/view-rating-criteria-53.htm

Note on complexity levels of the rated instrument

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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
07 May 2021	Bills Discounting	Short Term	3.00	ACUITE A4+ (Reaffirmed)
	Term Loan	Long Term	0.70	ACUITE BB | Stable (Reaffirmed)
	Cash Credit	Long Term	3.00	ACUITE BB | Stable (Reaffirmed)
	Letter of Credit	Short Term	12.30	ACUITE A4+ (Reaffirmed)
06 Feb 2020	Term Loan	Long Term	2.00	ACUITE BB | Stable (Upgraded from ACUITE BB- | Stable)
	Letter of Credit	Short Term	8.00	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	4.00	ACUITE BB | Stable (Upgraded from ACUITE BB- | Stable)
	Bills Discounting	Short Term	5.00	ACUITE A4+ (Reaffirmed)
11 Jan 2019	Bills Discounting	Short Term	5.00	ACUITE A4+ (Assigned)
	Term Loan	Long Term	2.00	ACUITE BB- | Stable (Assigned)
	Cash Credit	Long Term	4.00	ACUITE BB- | Stable (Assigned)
	Letter of Credit	Short Term	8.00	ACUITE A4+ (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Federal Bank	Not Applicable	Bills Discounting	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE A4+ | Reaffirmed
Federal Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BB | Stable | Reaffirmed
Federal Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	12.30	ACUITE A4+ | Reaffirmed
Federal Bank	Not Applicable	Term Loan	07-12-2017	Not available	31-12-2022	0.70	ACUITE BB | Stable | Reaffirmed

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.