



Press Release
Katyaini Products Private Limited
July 18, 2023
Rating Assigned, Reaffirmed and Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	1.00	ACUITE BB+ Stable Assigned	-
Bank Loan Ratings	3.70	ACUITE BB+ Stable Upgraded	-
Bank Loan Ratings	14.00	-	ACUITE A4+ Assigned
Bank Loan Ratings	15.30	-	ACUITE A4+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	34.00	-	-

Rating Rationale

Acuite has upgraded the long-term rating from **'ACUITE BB' (read as ACUITE double B)** to **'ACUITE BB+' (read as ACUITE double B Plus)** and reaffirmed 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 **'Stable'**.

Further, Acuite has assigned the long-term rating of **'ACUITE BB+' (read as ACUITE double B Plus)** and the short-term rating to **'ACUITE A4+' (read as ACUITE A four plus)** on the Rs. 15.00 crore bank facilities of Katyaini Products Private Limited (KPPL). The outlook is **'Stable'**.

Rationale for Rating Action

Acuite factors in experienced management, Improvement in Business, Above average financial risk profile and adequate liquidity profile of the company

The revenue from operations of the company witnessed substantial improvement to Rs.126.38 crore in FY2023 (Provisional) as against Rs. 54.83 crore in FY2022. Improvement in Revenue is on account of increase in price and Volume sale. Likewise The operating profit margin of the company improved to 7.58 percent in FY2023 (Provisional) as against 7.34 percent in FY2022 on account of price increase and scale of operations resulting in better absorption of fixed and semi fixed costs. Similarly, PAT Margin improved & stood at 4.44 Percent in FY 2023(Prov.) as against 3.48 percent in FY 2022. Coupled to this coverage indicators improved in FY 23(Prov.)

Acuite believes that the company will grow its scale of operations in the volume terms and improve profitability while maintaining a healthy capital structure.

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.

Improved Business risk profile

KPPL's operation witnessed substantial improvement which is apparent from growth in revenue from operations by ~130% in FY2023 (Prov.) to 126.38 crore as against Rs. 54.83 crore for FY2022. (improved by ~ 143.17 percent over the last three years FY 21 to FY 23). The operating profit margin of the company improved by 24 bps in FY 23 (Prov.).

Operating Profit Margin of company stood at 7.58% in FY2023 (Prov.) as against 7.34% in FY2022 likewise the net profit margin of the company improved by 96bps and stood at 4.44 percent in FY2023 (Prov.) as against 3.48 percent in FY 22. ROCE of the company stood at 40.31 times in FY2023 (Prov.).

Financial Risk Profile –Above Average

KPPL has above average financial risk profile marked by moderate net worth and strong debt protection metrics low gearing. KPPL's net worth stood at Rs. 15.15 Cr (Prov.) as on 31st March 2023 as against Rs.9.57 Cr as on 31st March 2022. Company follows conservative leverage policy. Gearing levels (debt-to-equity) improved by 44 bps and stood below unity at 0.64 times as on March 31, 2023 (Prov.) as against 1.08 times in FY 2022. Improvement in Gearing Ratio in FY 23 is on account of profit accretions.

Further, the interest coverage ratio improved by 306 bps and stood strong at 7.41 times for FY2023 (Prov.) as against 4.35 times in FY2022. Likewise, Debt Service coverage ratio improved by 173 bps and stood strong at 3.91 times for FY2023 (Prov.) as against 2.18 times in FY2022. Total outside liabilities to total net worth (TOL/TNW) stood at 2.19 times as on FY2023 (Prov.) vis-à-vis 2.78 times as on FY2022. Debt-EBITA improved and stood at 0.98 times as on 31st March 2023(Prov.) as against 2.45 times as on 31st March 2022. The Net Cash Accruals to Total debt stood at 0.65 times as on FY2023 (Prov.) and 0.25 times for FY2022. The financial risk profile of the company is expected to improve and remain comfortable in medium terms, as the company do not have any large capex plan in the medium term.

Weaknesses

Working capital operations- High

Company has improved yet high working capital requirements as evident from gross current assets (GCA) of 112 days in FY2023 (Prov.) as compared to 179 days in FY2022. Debtor days improved by 10 days and stood at 60 days in FY2023 (70 days in FY2022). Inventory days witnessed substantial improvement of 80 days in FY 23 however same is now in line with FY 21 level. Inventory days stood at 19 days in FY2023 (Prov.) as against 109 days in FY2022.(23 days in FY 21)

Rating Sensitivities

Substantial improvement in scale of operations

Significant improvement in working capital management

Company's ability to improve its Operating income and Profitability Margin

Material covenants

None

Liquidity Position

Adequate

Company has adequate liquidity marked by net cash accruals to its maturing debt obligations, current ratio, cash and bank balance. Company generated cash accruals of Rs. 6.48 crore for FY2023 (Prov.) as against obligations of Rs. 0.67 crore for the same period. Current Ratio stood at 1.44 times as on 31 March 2023(Prov.) as against 1.43 times in the previous year. Fund based working capital limits are utilized at ~40 per cent during the last twelve months ended March 23 while Non fund based limits utilization is 36 percent. (combined ~36 percent) leaving additional cushion to meet the contingencies in near future. Cash and Bank Balances of company stood at Rs 11.65 crore. The liquidity of the company is expected to improve with company expected to generate cash accruals in the range of Rs. 8 to 10 Cr. And no debt repayment obligation will also support the liquidity of the company.

Outlook: 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 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	126.38	54.83
PAT	Rs. Cr.	5.61	1.91
PAT Margin	(%)	4.44	3.48
Total Debt/Tangible Net Worth	Times	0.64	1.08
PBDIT/Interest	Times	7.41	4.35

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

CRISIL vide its press release dated 10 March 2023, has mentioned the rating of KPPL to '[CRISIL]B+/Stable/A4' Issuer Not Cooperating as on 10 March 2023.

CARE vide its press release dated 04 November 2022, has mentioned the rating of KPPL to '[CARE]BB-/A4' Issuer Not Cooperating as on 04 November 2022.

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

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
29 Jul 2022	Letter of Credit	Short Term	12.30	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	3.00	ACUITE BB Stable (Reaffirmed)
	Bills Discounting	Short Term	3.00	ACUITE A4+ (Reaffirmed)
	Term Loan	Long Term	0.70	ACUITE BB Stable (Reaffirmed)
07 May 2021	Cash Credit	Long Term	3.00	ACUITE BB Stable (Reaffirmed)
	Letter of Credit	Short Term	12.30	ACUITE A4+ (Reaffirmed)
	Bills Discounting	Short Term	3.00	ACUITE A4+ (Reaffirmed)
	Term Loan	Long Term	0.70	ACUITE BB Stable (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)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Federal Bank	Not Applicable	Bills Discounting	Not Applicable	Not Applicable	Not Applicable	Simple	3.00	ACUITE A4+ Reaffirmed
Federal Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	3.00	ACUITE BB+ Stable Upgraded
Federal Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	1.00	ACUITE BB+ Stable Assigned
Federal Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	12.30	ACUITE A4+ Reaffirmed
Federal Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	14.00	ACUITE A4+ Assigned
Federal Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.70	ACUITE BB+ Stable Upgraded

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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.

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