



Release
Katyaini Products Private Limited
October 15, 2024
Rating Upgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	4.70	ACUITE BBB- Stable Upgraded	-
Bank Loan Ratings	29.30	-	ACUITE A3 Upgraded
Total Outstanding Quantum (Rs. Cr)	34.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has upgraded the long-term rating from ‘ACUITE BB+’ (read as ACUITE double B Plus) to ‘ACUITE BBB-’ (read as ACUITE triple B minus) and upgraded the short-term rating from ‘ACUITE A4+’ (read as ACUITE A four plus) to ‘ACUITE A3’ (read as ACUITE A three) on the Rs. 34.00 crore bank facilities of Katyaini Products Private Limited (KPPL). The outlook is 'Stable'.

Rationale for Rating Action

The rating upgrade factors in improvement in scale of operation and profitability, above average financial risk profile and strong liquidity profile of the company. The revenue from operations of the company witnessed substantial improvement to Rs.201.03 crore in FY2024(Prov.) as against Rs. 126.38 crore in FY2023. Improvement in Revenue is on account of increase in volume sales despite declining sales realisation. Likewise, the operating profit margin of the company improved to 10.03 percent in FY2024(Prov.) as against 7.58 percent in FY2023 on account of increase in scale of operations resulting in better control over costs like raw material and administrative costs. Similarly, PAT Margin improved & stood at 6.79 Percent in FY 2024 (Prov.) as against 4.46 percent in FY 2023. Coupled with this debt protection metrics improved in FY2024.

Acuite also believes that the company will continue to benefit from its promoters' experience and above average financial risk profile. However, the rating remains constrained due to working capital intensive 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).

Unsupported Rating

Not Applicable

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 operation in FY2024 (Prov.) to Rs.201.03 crore as against Rs. 126.38 crore for FY2023. The improvement is due to the increase in demand for the products of the company and improved sales volume despite a slight decline in average realization, resulting into better work orders.

Operating Profit Margin of company stood at 10.03% in FY2024 (Prov.) as against 7.58% in FY2023 likewise the net profit margin of the company improved and stood at 6.79 percent in FY2024 (Prov.) as against 4.46 percent in FY2023. The improvement in margins is due to lower raw material, administrative and selling costs. ROCE of the company stood at 63.18 times in FY2024(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. 28.83 Cr. as on 31st March 2024(Prov.) as against Rs. 15.18 Cr. as on 31st March 2023 due to accretion to reserve. Company follows conservative leverage policy. Gearing levels (debt-to-equity) improved and stood below unity at 0.34 times as on March 31, 2024 (Prov.) as against 0.63 times in FY 2023. Improvement in Gearing Ratio in FY2024 is on account of no usage of short-term debt and profit accretion. Further, the interest coverage ratio improved and stood strong at 12.77 times for FY2024(Prov.) as against 7.44 times in FY2023. Likewise, Debt Service coverage ratio improved and stood strong at 9.26 times for FY2024(Prov.) as against 3.92 times in FY2023. Total outside liabilities to total net worth (TOL/TNW) stood at 1.54 times as on FY2024(Prov.) vis-à-vis 2.19 times as on FY2023. Debt-EBITA improved and stood at 0.47 times as on 31st March 2024(Prov.) as against 0.97 times as on 31st March 2023. The Net Cash Accruals to Total debt stood at 1.49 times as on FY2024(Prov.) and 0.68 times for FY2023. 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 high working capital requirements as evident from gross current assets (GCA) of 121 days in FY2024(Prov.) as compared to 112 days in FY2023. Debtor days increased stood at 75 days in FY2024(Prov.) as against 60 days in FY2023 due to collection mechanisms adopted by the Company. Inventory days increased slightly to 23 days in FY2024(Prov.) as against 19 days in FY2023. Creditor days stood at 70 days in FY2024(Prov.) as against 73 days in FY2023. Acuite believes that the operations of the Company would continue to remain working capital intensive due to nature of business.

Rating Sensitivities

- Movement in scale of operations and profitability
- Working capital management
- Large Debt funded capex plans

Liquidity Position

Strong

Company has strong liquidity position marked by sufficient net cash accruals to its maturing debt obligations, moderate current ratio, high cash and bank balance. Company generated cash accruals of Rs. 14.46 crore for FY2024(Prov.) as against obligations of Rs. 0.10 crore for the same period. Current Ratio stood at 1.91 times as on 31 March 2024(Prov.) as against 1.44 times in the previous year. Fund based working capital limits are not utilized during the last six months ended September 2024 while Non fund based limits utilization is 48.43 percent leaving additional cushion to meet the contingencies in near future. Cash and Bank Balances of company stood at Rs 10.90 crore. The liquidity of the company is expected to improve with expected cash accruals in the range of Rs. 15 to 16 Cr. and nil debt repayment obligation and absence of debt funded apex plans.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	201.03	126.38
PAT	Rs. Cr.	13.65	5.63
PAT Margin	(%)	6.79	4.46
Total Debt/Tangible Net Worth	Times	0.34	0.63
PBDIT/Interest	Times	12.77	7.44

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.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, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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
18 Jul 2023	Cash Credit	Long Term	3.00	ACUITE BB+ Stable (Upgraded from ACUITE BB Stable)
	Cash Credit	Long Term	1.00	ACUITE BB+ Stable (Assigned)
	Term Loan	Long Term	0.70	ACUITE BB+ Stable (Upgraded from ACUITE BB Stable)
	Bills Discounting	Short Term	3.00	ACUITE A4+ (Reaffirmed)
	Letter of Credit	Short Term	12.30	ACUITE A4+ (Reaffirmed)
	Letter of Credit	Short Term	14.00	ACUITE A4+ (Assigned)
29 Jul 2022	Bills Discounting	Short Term	3.00	ACUITE A4+ (Reaffirmed)
	Letter of Credit	Short Term	12.30	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	3.00	ACUITE BB Stable (Reaffirmed)
	Term Loan	Long Term	0.70	ACUITE BB Stable (Reaffirmed)
07 May 2021	Cash Credit	Long Term	3.00	ACUITE BB Stable (Reaffirmed)
	Term Loan	Long Term	0.70	ACUITE BB Stable (Reaffirmed)
	Bills Discounting	Short Term	3.00	ACUITE A4+ (Reaffirmed)
	Letter of Credit	Short Term	12.30	ACUITE A4+ (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Federal Bank	Not avl. / Not appl.	Bills Discounting	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	3.00	Simple	ACUITE A3 Upgraded (from ACUITE A4+)
Federal Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	4.00	Simple	ACUITE BBB- Stable Upgraded (from ACUITE BB+)
Federal Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	26.30	Simple	ACUITE A3 Upgraded (from ACUITE A4+)
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	0.70	Simple	ACUITE BBB- Stable Upgraded (from ACUITE BB+)

Contacts

Mohit Jain Senior Vice President-Rating Operations	Contact details exclusively for investors and lenders
Patel Sneh Associate Analyst-Rating Operations	Mob: +91 8591310146 Email ID: analyticalsupport@acuite.in

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.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité. Please visit <https://www.acuite.in/faqs.htm> to refer FAQs on Credit Rating.