

Press Release

Krishna Alkali Bombay Private Limited

October 09, 2020

Rating Upgraded



Total Bank Facilities Rated*	Rs.15.00 Cr.
Long Term Rating	ACUITE BBB/Stable (Upgraded)

* Refer Annexure for details

Rating Rationale

Acuité has upgraded the long term rating to **'ACUITE BBB' (read as ACUITE triple B)** from **'ACUITE BBB-' (read as ACUITE triple B minus)** on the Rs.15 crore bank facilities of Krishna Alkali Bombay Private Limited. The outlook is **'Stable'**.

The rating upgrade is on account of the overall business risk profile of the company marked by a steady increase in the turnover and profitability levels, thus translating into higher cash accruals. The turnover increase is largely driven by volume growth in sales of fabric coupled with improvement in profitability levels, thereby leading to higher cash accruals. The rating upgrade also factors in the healthy financial risk profile of the company marked by moderate network, comfortable gearing and strong debt protection metrics.

About the company

Incorporated in 1980, Krishna Alkali Bombay Private Limited (KAPL) is a Mumbai based company, which is engaged in printing and dyeing of fabrics. In 2005, KAPL had started digital printing. Currently, the company is headed by the founder promoter Mr. Ashok Maheshwari and the second generation promoter Mr. Anish Maheshwari. The company has an installed capacity of 9000 meters per day with two units, one for processing at Dombivali, Thane and the second unit for printing at Kalyan.

Analytical Approach

Acuité has taken the standalone view of the business and financial risk profile of KAPL to arrive at the rating.

Key Rating Drivers

Strengths

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

Established in 1980, Krishna Alkali Bombay Private Limited (KAPL) has a long operational track record of four decades in the textiles industry. Acuité believes the long track record has helped KAPL to establish a healthy relationship with suppliers and reputed customers and ensure repeat orders. The key promoters of the company, Mr. Ashok Maheshwari has been in the industry for four decades and the second generation promoter Mr. Anish Maheshwari has been the industry for around two decades. Acuité derives comfort from the long experience of the promoter.

- **Significant growth in revenue**

The company has improving revenue trend marked by operating income of Rs.68.76 Cr in FY2020 (provisional) as compared to revenues of Rs.54.80 Cr in FY2019 and Rs.47.64 Cr in FY2018, thereby registering CAGR of 20.14 per cent over two years. The growth in revenue is on account of volume growth in sales of fabric driven by increased demand. Acuité believes that the sustainability of the revenue growth would be a key monitorable going forward.

- **Healthy financial risk profile**

The company's healthy financial risk profile is marked by moderate network, comfortable gearing and strong debt protection metrics. The tangible net worth of the company increased to Rs.38.89 Cr as on March 31, 2020 (provisional) from Rs.30.17 Cr as on March 31, 2019. Gearing of the company stood low at 0.15 times as on March 31, 2020 (provisional) as against 0.16 times as on March 31, 2019. The debt of Rs.6.00 Cr consists of a term loan of only Rs.5.53 Cr and current maturity of a term loan of Rs.0.47 Cr as on March 31, 2020 (provisional).

The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood comfortable at 0.61 times as on March 31, 2020 (provisional) as against 0.52 times as on March 31, 2019. The strong debt protection metrics of the company is marked by Interest Coverage Ratio at 33.15 times as on March 31, 2020 (provisional) and Debt Service Coverage Ratio at 13.28 times as on March 31, 2020 (provisional). Net Cash Accruals/Total Debt (NCA/TD) stood at 2.00 times as on March 31, 2020 (provisional). Acuité believes that going forward the financial risk profile of the company will remain healthy backed by steady accruals and no major debt-funded capex plans.

Weakness

- Working capital intensive nature of operations**

The working capital intensive nature of operations of the company is marked by Gross Current Assets (GCA) of 264 days in 31st March 2020 (provisional) as compared to 236 days in 31st March 2019. The debtor period stood high at 145 days on 31st March 2020 (provisional) as compared to 123 days on 31st March 2019. Further, the inventory holding is high at 120 days on 31st March 2020 (provisional) as compared to 87 days as on 31st March 2019. Acuité believes that the working capital operations of the firm will remain almost at the same levels as evident from high inventory holding period and stretched receivables.

- Susceptibility of profitability to volatility in raw material prices**

Profitability margins are susceptible to changes in cotton prices which are highly volatile and commoditised product. Any abrupt change in cotton prices due to supply-demand scenario and government regulations of changes in minimum support price (MSP) can lead to distortion in market prices and affect the profitability of players across the cotton value chain.

Rating Sensitivity

- Sustainability in their growth in scale of operations and profitability margin
- Improvement in working capital management

Material Covenant

None

Liquidity Profile: Strong

The company's liquidity is strong marked by sufficient net cash accruals of Rs.12.01 Cr as on March 31, 2020 (provisional) as against long term debt repayment of Rs.0.47 Cr over the same period. The current ratio stood strong at 2.72 times as on March 31, 2020 (provisional) as compared to 3.03 times as on March 31, 2019. The fund based limit remained unutilised over the twelve months ended August, 2020. The company has neither availed loan moratorium nor applied for any additional COVID loan. The cash and bank balances of the company stood at Rs.2.60 Cr as on March 31, 2020 (provisional) as compared to Rs.4.48 Cr as on March 31, 2019. However, the working capital intensive nature of operations of the company is marked by Gross Current Assets (GCA) of 264 days on 31st March 2020 (provisional) as compared to 236 days on 31st March 2019. Going forward, Acuité believes the liquidity of the company will remain strong marked by steady cash accruals and modest networth base.

Outlook: Stable

Acuité believes that the outlook on Krishna Alkali Bombay Private Limited will remain 'Stable' over the medium term on account of the experienced management, a long track record of operations, steady business risk profile and healthy financial risk profile. The outlook may be revised to 'Positive' in case of significant growth in revenue or operating margins from the current levels while improving its working capital management. Conversely, the outlook may be revised to 'Negative' in case of a decline in revenue or operating margins, deterioration in financial risk profile or further deterioration in its working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	68.76	54.80
PAT	Rs. Cr.	8.84	4.88

PAT Margin	(%)	12.86	8.90
Total Debt/Tangible Net Worth	Times	0.15	0.16
PBDIT/Interest	Times	33.15	18.76

Status of non-cooperation with previous CRA

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- 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 (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
12-Mar-2019	Term Loan	Long Term	5.50	ACUITE BBB-/Stable (Assigned)
	Term Loan	Long Term	2.16	ACUITE BBB-/Stable (Assigned)
	Cash Credit	Long Term	4.00	ACUITE BBB-/Stable (Assigned)
	Proposed bank facility	Long Term	3.34	ACUITE BBB-/Stable (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Term Loan	Not Available	Not Applicable	Not Available	4.00	ACUITE BBB/Stable (Upgraded)
Term Loan	Not Available	Not Applicable	Not Available	2.16	ACUITE BBB/Stable (Upgraded)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.50	ACUITE BBB/Stable (Upgraded)
Proposed bank facility	Not Applicable	Not Applicable	Not Applicable	3.34	ACUITE BBB/Stable (Upgraded))

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About Acuité Ratings & Research

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