

## Press Release

Krishna Coil Cutters Private Limited

D-U-N-S® Number: 87-190-5981

April 09, 2019



### Rating Assigned

Total Bank Facilities Rated*	Rs. 80.00 Cr.
Long Term Rating	ACUITE BBB- / Outlook: Stable
Short Term Rating	ACUITE A3

\* Refer Annexure for details

### Rating Rationale

Acuite has assigned long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and short term rating of '**ACUITE A3**' (read as **ACUITE A three**) to the Rs. 80.00 crore bank facilities of Krishna Coil Cutters Private Limited (KCPL). The outlook is '**Stable**'.

KCPL was incorporated in 2007 and has its plant located in Ahmedabad (Gujarat). The plant is currently running at a capacity of 350,000 metric tons and is utilising 60 percent of their entire capacity.

KSPL was incorporated in 1995 and has its plant located in Mumbai (Maharashtra). The plant is currently running at a capacity of 600,000 metric tons and is utilising 60 percent of their entire capacity.

Both the companies are engaged in cutting and processing of steel coils. Their products primarily consist of hot rolled, cold rolled and galvanised coils. Their customers consist of traders, suppliers of infrastructure companies and real estate companies to name a few. Their primary business comes from the states of Gujarat, MP, Rajasthan, Uttar Pradesh, Andhra Pradesh and Karnataka.

### Analytical Approach

Acuite has considered consolidated financials of KCPL and Krishna Sheet Processors Private Limited (KSPL), together referred to as the 'Krishna Group'. The consolidation is in view of the common management and strong operational and financial linkages.

## Key Rating Drivers

### Strengths

#### • Experienced management:

Krishna Group is engaged in the cutting and processing of Steel Sheets that are sold to various types of customers. The group is promoted by Mr. Kapilkumar Agarwal and Mr. Biharisan Khandelwal. The promoters of the group have over two decades of experience in the particular industry. Acuite believes that the group will benefit from its experienced management which helps the group maintain long standing relations with customers and suppliers.

#### • Moderate financial risk profile:

The financial risk profile of Krishna Group is moderate marked by moderate net worth, debt protection metrics and leverage ratios. The tangible net worth of the group stood at Rs.108.15 crore as on 31 March, 2018 as against Rs.88.75 crore as on 31 March, 2017. Gearing (debt-equity) stood at 0.78 times as on 31 March, 2018 as against 0.59 times in the previous year. The total debt as on 31 March, 2018 of Rs. 84.19 crore comprises unsecured loan of Rs. 36.86 crore and working capital limits of Rs. 47.34 crore. The coverage indicators of the group are moderate marked by interest coverage ratio (ICR) at 2.59 times in FY2018 as against 2.08 times in the previous year. The debt service coverage ratio (DSCR) stood moderate at 2.13 times in FY2018 as compared to 1.74 times in FY2017. Total outside Liabilities to Tangible Net Worth (TOL/TNW) stood at 2.51 times as on 31 March, 2018 as against 2.67 times in the previous year. Acuite believes that the financial risk profile of the group will remain moderate in the absence of major debt funded capex and backed by healthy net cash accruals.

• **Moderate working capital nature of operations:**

The group operates in a comfortable working capital nature of operations marked by Gross Current Assets (GCA) of 77 days for FY2018 as against 88 days for FY2017. The improvement in GCA is mainly due to a decrease in debtors to 39 days for FY2018 from 53 days in FY2017. Acuite believes that efficient working capital management will be crucial for the group in order to maintain a stable credit profile.

**Weaknesses**

• **Pressure on margins and competition in the industry:**

The raw material (steel sheet) cost comprises ~95 per cent of the cost of sales for the group. If the group is unable to pass on the increase in raw material prices to its customers, profit margins for the group will be negatively impacted. Further, Krishna Group operates in a highly competitive and fragmented market with limited entry barriers. This results in the presence of large number of players in the unorganized sector thereby limiting the bargaining power of the group with its customers. Acuite believes that established relations with suppliers will be crucial for the group for procuring its raw material.

**Liquidity Position**

The group has healthy liquidity profile marked by healthy net cash accruals against no long term debt obligations. The working capital operations are comfortable as marked by Gross Current Asset (GCA) days of 77 in FY2018. The group had unencumbered cash and bank balances of Rs.29.34 crore as on March 31, 2018. The current ratio of the group stood comfortable at 1.50 times as on March 31, 2018. Acuite believes that the liquidity of the group is likely to remain healthy over the medium term on account of modest cash flows from operations and moderate GCA days over the medium term.

**Outlook: Stable**

Acuite believes that the group will maintain a 'Stable' business profile over the medium term and will continue to benefit from its experienced management and established customer base. The outlook may be revised to 'Positive' in case the group registers higher-than-expected revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the group's revenues or profit margins, or in case of deterioration in the group's financial risk profile.

**About the Rated Entity - Key Financials**

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	1436.40	1047.49	678.14
EBITDA	Rs. Cr.	29.17	24.90	15.55
PAT	Rs. Cr.	19.31	8.44	5.35
EBITDA Margin	(%)	2.03	2.38	2.29
PAT Margin	(%)	1.34	0.81	0.79
ROCE	(%)	27.30	20.71	27.14
Total Debt/Tangible Net Worth	Times	0.78	0.59	0.35
PBDIT/Interest	Times	2.59	2.08	2.42
Total Debt/PBDIT	Times	1.80	1.92	1.76
Gross Current Assets (Days)	Days	77	88	102

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

Not Applicable

**Any other information**

Not Applicable

## Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Consolidation Of Companies - <https://www.acuite.in/view-rating-criteria-22.htm>

## Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

## Rating History (Upto last three years)

Not Applicable

## \*Annexure – 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	20.00	ACUITE BBB- / Stable
Bills Discounting	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A3
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	40.00	ACUITE A3
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A3

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## About Acuité Ratings & Research:

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