

Press Release

Krishna Coil Cutters Private Limited

October 05, 2020



Rating Withdrawn

Total Bank Facilities Rated*	Rs.80.00 Cr
Long Term Rating	ACUITE BB+ (Withdrawn)
Short Term Rating	ACUITE A4+ (Withdrawn)

* Refer Annexure for details

Rating Rationale

Acuité has reviewed and withdrawn the long-term rating of '**ACUITE BB+**' (**read as ACUITE double B plus**) and the short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) on the Rs.80.00 crore bank facilities of Krishna Coil Cutters Private Limited (KCPL). The rating is in accordance with Acuité's policy on withdrawal of rating and on account of request received from the company and no objection certificate (NOC) received from the banker.

About the company

Krishna Coil Cutters Private Limited (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 utilizing 60 percent of their entire capacity.

About the group

Krishna Sheet Processors Private Limited 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 utilizing 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 galvanized 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

Acuité has considered the consolidated financials of Krishna Coil Cutters Private Limited (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. Biharisaran Khandelwal. The promoters of the group have over two decades of experience in the particular industry. Acuité believes that the group will benefit from its experienced management which helps the group maintain its long-standing relations with customers and suppliers.

- **Moderate financial risk profile**

The financial risk profile of KG remained moderate, with moderate capital structure and debt protection metrics. KG's net worth has been improving Y-o-Y on account of moderate net cash accruals generated over the years. The net worth of KG stood at Rs.151.38 Cr as on March 31, 2020 as against Rs.125.68 Cr as on March, 2019. Debt to Equity (Gearing) improved from 1.16 times as on March 31, 2019 to 0.86 times as on March 31, 2020. Debt protection metrics is marked by moderate interest coverage ratio and Net cash

accruals to total debt (NCA/TD) stood at 3.14 times and 0.21 times in FY2020 as against 2.63 times and 0.13 times in FY2019, respectively. The interest coverage ratio improved on account of increase EBITDA in absolute terms. Total outside liabilities to tangible net worth (TOL/TNW) stood at 1.73 times as on March 31, 2020 as against 2.35 times as on March 31, 2019.

- **Efficient working capital management**

The group's working capital management is efficient with Gross Current Assets (GCA) of about 48 days in FY2020 as against 65 days in FY2019 on account of improve in debtor days. Inventory days stood at 18 days in FY20 similar level as compared to FY19. The debtor days stood at 25 days in FY20 as against 35 days in FY19. The average working capital limit utilization was 38 percent for the past five months ended in August 2020.

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, KG operates in a highly competitive and fragmented market with limited entry barriers. This results in the presence of a large number of players in the unorganized sector, thereby limiting the bargaining power of the group with its customers.

Rating Sensitivity factors

- Higher-than-expected revenue and profitability
- Any stretch in working capital management leading to deterioration in financial risk profile and liquidity

Material Covenants: None

Liquidity Position: Adequate

KG has adequate liquidity marked by moderate net cash accruals vis-à-vis nil maturing debt obligations, moderately utilized bank limits and moderate current ratio. KG generated net cash accruals of Rs.18.41-27.35 Cr during the last three years through FY2018-20 vis-à-vis nil maturing debt obligations over the same period. The current ratio stood moderate at 1.58 times as on March 31, 2020. The working capital limits of the group remained 38 percent utilized for the last six months ended August, 2020. Acuité believes that the liquidity of the group is likely to remain adequate over the medium term.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	2822.88	2144.20
PAT	Rs. Cr.	25.81	17.34
PAT Margin	(%)	0.91	0.81
Total Debt/Tangible Net Worth	Times	0.86	1.16
PBDIT/Interest	Times	3.14	2.63

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

India Ratings, vide its press release dated September 20, 2019 had denoted the rating of Krishna Coil Cutters Private Limited as 'IND BB/Stable/A4+; ISSUER NOT CO-OPERATING' on account of lack of adequate information required for monitoring the ratings

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

<https://www.acuite.in/criteria-complexity-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
24-Jun-20	Cash Credit	Long Term	20.00	ACUITE BB+ (Issuer not Cooperating)
	Bill Discounting	Short Term	5.00	ACUITE A4+ (Issuer not Cooperating)
	Letter of Credit	Short Term	40.00	ACUITE A4+ (Issuer not Cooperating)
	Letter of Credit	Short Term	15.00	ACUITE A4+ (Issuer not Cooperating)
09-Apr-19	Cash Credit	Long Term	20.00	ACUITE BBB-/ Stable (Assigned)
	Bill Discounting	Short Term	5.00	ACUITE A3 (Assigned)
	Letter of Credit	Short Term	40.00	ACUITE A3 (Assigned)
	Letter of Credit	Short Term	15.00	ACUITE A3 (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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE BB+ (Withdrawn)
Bill Discounting	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A4+ (Withdrawn)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	40.00	ACUITE A4+ (Withdrawn)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A4+ (Withdrawn)

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President Tel: 022-49294041 aditya.gupta@acuite.in	Varsha Bist Senior Manager - Rating Desk Tel: 022-49294011 rating.desk@acuite.in
Nagidi Bhavani Analyst - Rating Operations Tel: 040-40042327 nagidi.bhavani@acuite.in	

About Acuité Ratings & Research:

Acuité Ratings & Research Limited is a full-service Credit Rating Agency registered with the Securities and 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. Since then, it has assigned more than 8,000 credit 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 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. Acuité ratings 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. Acuité ratings 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.