

Press Release

Ken Enterprises Private Limited

July 09, 2021

Rating Withdrawn



| | |
|-------------------------------------|-------------------------|
| Total Bank Facilities Rated* | Rs.59.00 Cr. |
| Long Term Rating | ACUITE BBB- (Withdrawn) |
| Short Term Rating | ACUITE A3 (Withdrawn) |

* Refer Annexure for details

Rating Rationale

Acuite has reviewed and withdrawn the long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and the short-term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs.59.00 crore bank facilities of Ken Enterprises Pvt. Ltd. (KEPL).

The rating withdrawal is in accordance with Acuite's policy on withdrawal of rating and on account of request received from the company and no objection certificate received from the banker.

About the Company

Maharashtra-based, KEPL was incorporated in June 1998. The company started its commercial operations in March 2004 and is engaged in manufacturing and exporting of grey fabrics. The company is promoted by Mr. Nikunj Hariprasad Bagdiya, Mrs. Bina Hariprasad Bagdiya and Mr. Krishna Hariprasad Bagdiya. The company's manufacturing unit is located at Ichalkaranji with an installed capacity of 10,000 meters per month.

Analytical Approach

Acuite has considered the standalone financial and business risk profiles of KEPL to arrive at the rating.

Key Rating Drivers

Strengths

- Experienced management with long track record of operations**
 KEPL, promoted by Mr. Nikunj Hariprasad Bagdiya, Mrs. Bina Hariprasad Bagdiya and Mr. Krishna Hariprasad Bagdiya, have over a decade of experience in the said line of business. The company is the second generation textile manufacturing enterprise with 40 years of presence in Ichalkaranji, Maharashtra. It is the first weaving mill from Western Maharashtra. The company has international presence in 15 countries for the export of grey fabric (export accounts for ~30 to 40 percent of total sales). The company exports to USA, Kenya, South Korea, Bangladesh, Thailand, Vietnam, Turkey, Mexico and UAE to name a few. The extensive experience of promoters coupled with long track record of operations has enabled the company forge healthy relationships with customers and suppliers, which in turn has helped in growth of the business. The company's revenue grew by over 7per cent CAGR during FY19 to FY21 (estimated) despite high competitive intensity. Although, KEPL's operating performance in FY21 got hurt by Covid-19-led disruptions. The company's revenue declined by ~17per cent and net profit by ~29per cent in FY21 (estimated).
- Average financial risk profile**
 KEPL has average financial risk profile marked by rising net worth, moderate gearing and modest debt protection metrics. The company's net worth as on March 31, 2020 stood at Rs.28.41 crore compared to Rs.25.01 crore as on March 31, 2019. Net worth stood at Rs.30.83 crore as on March 31, 2021 (estimated).

The company's gearing position (debt to equity ratio) deteriorated to 1.43 times as on March 31, 2021 (estimated) from 1.29 times as on March 31, 2020. This was led by higher debt. The company's total debt as on March 31, 2021 (estimated) was at Rs.44.08 crore compared to Rs.36.75 crore as on March 31, 2020. Total debt, as on March 31, 2021 (estimated) comprised, long-term debt of Rs.11.44 crore, short-term debt of Rs.32.46 crore and unsecured loans from directors and promoters of Rs.0.18

crore. TOL/TNW stood at 3.68 times as on March 31, 2020. Interest coverage ratio of the company stood at 1.83 times for FY20 and deteriorated to 1.62 times for FY21 (estimated) due to additional debt. DSCR of the company, for FY20 stood at 1.39 times and is also likely to have deteriorated in FY21 with additional term loans.

Weaknesses

- Working capital intensive operations**

KEL has working capital intensive operations with average gross current asset (GCA) days standing over 160 during FY18 to FY20. GCA days for FY20 improved to 145 from 159 for FY19 led by improved debtor days and inventory days. The company's debtor days and inventory days stood at 68-69 for FY20 compared to 73-80 for FY19. Though GCA days improved for FY20, it is estimated to have normalized to 155-160 level for FY21. Average fund-based bank limit utilization during the six months through April 2021 was ~83per cent.

- Susceptibility of margins to fluctuation in raw material prices.**

KEPL's profitability depends on prices of key raw material, i.e. yarn, which is highly volatile in nature. The company's operating margins stood at 5.12 per cent in FY20 compared to 6.36 and 7.20 percent in the preceding two years. Although, margin improved marginally to 5.38per cent in FY21 (estimated). Further, the net profit margins stood thin at 1.17per cent in FY20 compared to 1.47 percent in FY19 and 1.50 percent in FY18. In FY21 (estimated), net profit margin further went down to ~1 per cent. FY21 margin was also impacted by Covid-19-led disruptions.

Rating Sensitivities

- Not Applicable

Material Covenants

Nil

Liquidity Position – Adequate

KEPL has adequate liquidity with sufficient cash accruals to its maturing debt obligations. KEL generated cash accruals of Rs. 5.39 crore for FY20 compared to repayment obligations of Rs1.56 crore. Further, in FY21 (estimated) cash accruals stood at Rs.4.40 crore against term loan repayment of Rs.2.72 crore. Current ratio of the company stood at a moderate level of 1.22 times as on March 31, 2020 and average fund-based bank limit utilization during the six months through April 2021 was ~83per cent.

Outlook: Not Applicable

About the Rated Entity - Key Financials

| | Unit | FY20 (Actual) | FY19 (Actual) |
|-------------------------------|---------|---------------|---------------|
| Operating Income | Rs. Cr. | 291.62 | 221.87 |
| PAT | Rs. Cr. | 3.40 | 3.27 |
| PAT Margin | (%) | 1.17 | 1.47 |
| Total Debt/Tangible Net Worth | Times | 1.29 | 1.43 |
| PBDIT/Interest | Times | 1.83 | 1.86 |

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

India Ratings, vide its press release dated July 10, 2020, has mentioned the rating of KEPL as 'BB Issuer Not Cooperating' and 'A4+ Issuer Not Cooperating' as on July 10, 2020.

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 |
|-------------|---------------------------------|------------|------------------|-----------------------------------|
| 19-Jun-2020 | Cash Credit | Long Term | 31.50 | ACUITE BBB- / Stable (Reaffirmed) |
| | Proposed Bank Facility | Long Term | 2.50 | ACUITE BBB- / Stable (Reaffirmed) |
| | Proposed Bank Facility | Short Term | 2.50 | ACUITE A3 (Reaffirmed) |
| | Letter of Credit | Short Term | 22.50 | ACUITE A3 (Reaffirmed) |
| 18-Jul-2019 | Cash Credit | Long Term | 29.00 | ACUITE BBB- / Stable (Assigned) |
| | Proposed Bank Facility | Long Term | 5.00 | ACUITE BBB- / Stable (Assigned) |
| | Proposed Bank Facility | Short Term | 5.00 | ACUITE A3 (Assigned) |
| | Letter of Credit | Short Term | 20.00 | 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 | 31.50 | ACUITE BBB- (Withdrawn) |
| Proposed Bank Facility | Not Available | Not Available | Not Available | 2.50 | ACUITE BBB- (Withdrawn) |
| Proposed Bank Facility | Not Available | Not Available | Not Available | 2.50 | ACUITE A3 (Withdrawn) |
| Letter of Credit | Not Applicable | Not Applicable | Not Applicable | 22.50 | ACUITE A3 (Withdrawn) |

Contacts

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About Acuité Ratings & Research:

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