

Press Release

Kedar Metals Private Limited

April 06, 2021



Rating Assigned

Total Bank Facilities Rated*	Rs. 7.87 Cr
Long Term Rating	ACUITE BB/Outlook: Stable (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned a long term rating of '**ACUITE BB**' (**read as ACUITE Double B**) on the Rs. 7.87Cr bank facilities of Kedar Metals Private Limited (KMPL). The outlook is '**Stable**'.

About the Company

KMPL, incorporated in 1992, is engaged in the manufacturing of lead oxide and red lead which find application mainly in the traction batteries, submarine batteries, telecom batteries, ceramics and glass industry. The company has its manufacturing facility at Daman. KMPL is a part of the Kedar Group, which includes two other companies—Kailash Metachem Private Limited (Kailash) and Bliss International Private Limited (BIPL).

Analytical Approach

Acuité has considered the standalone business and financial risk profile of Kedar Metals Private Limited to arrive at the rating.

Key Rating Drivers

Strengths

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

The company is being managed currently by Mr. Jitesh Muni Shah and Mr. Sachin Muni and collectively they have around three decades of experience in the chemical and metal industry. The company has a team of experienced and capable professionals, having over a decade of experience in the segment, to look after the overall management.

- **Stable Established relationships with its clientele**

Company vintage alongside long track record of operations has enabled it to forge healthy relationships with its customers and suppliers. The experience of promoters continues to help the company to improve its product profile and client base. The top five clients contribute to around 60.73% in FY2020 of the total sales indicating a moderately concentrated client base.

Weaknesses

- **Deterioration in the capital structure albeit moderate financial risk profile**

The financial risk profile has deteriorated albeit remained moderate marked by net worth of Rs. 4.82 Cr as on March 31, 2020. (FY19: Rs. 6.31 Cr and FY18: 6.14 Cr). The gearing stood moderate at 1.05 times as on March 31, 2020 as against 0.63 times as on March 31, 2019 and as against 0.89 times as on March 31, 2018. The total borrowings of Rs. 5.91 Cr as on March 31, 2020 comprises of long term borrowings of Rs 5.06 Cr and unsecured loan of Rs. 0.85 Cr. The interest coverage ratio (ICR) stood negative at 1.30 times in FY2020 (FY19: 1.48x and FY18: 1.53x). The total outside liabilities to tangible net worth stood at 1.43x as on March 31, 2020 (FY19: 1.61x and FY18: 1.45x).

- **Working capital intensive nature of operations**

KMPL's operations are working capital intensive in nature as reflected by its gross current asset (GCA) days of

around 133 days as on March 31, 2020. The company imports a significant portion of its raw material requirements and therefore maintains an inventory of around 30 days as the in-transit time is around 18 days. The company also maintains 8 days of finished goods of inventory in order to cater to spot orders from customers. On the other hand, the company gets a limited credit period from its suppliers, leading to higher reliance on working capital limits. Further, it allows a credit period of 30-40 days to its customers / allows an extended period to acquire new clientele or to penetrate more into newer territories. The working capital limits of the firm remained 78.4% utilized for the last twelve months ended in January, 2021

- **Margins are susceptible to fluctuation in raw material prices and forex rates**

The profitability margins in chemical industry is exposed to fluctuation in the raw material price. The raw materials include wide variety of chemicals. Further, the company exports around ~85 percent of its products to countries namely Bangladesh, Thailand, Vietnam, Peru, Turkey, Sri Lanka and Middle East making it susceptible to foreign exchange fluctuation risk. However, the same is partially mitigated by the natural hedge provided by the import of raw materials.

Rating Sensitivities

- Improving scale of operations while maintaining profitability.
- Any further deterioration in working capital management leading to deterioration in financial risk profile and liquidity

Material Covenants: None

Liquidity Position: Adequate

KMPL has adequate liquidity marked by comfortable current ratio of 8.69 times as on March 31, 2020 as against 3.26 times as on March 2019. The company has maintained cash and bank balance of Rs. 0.39 Cr as on March 31, 2020. The working capital limits of the company remained 74.8% utilized for the last twelve months ended in January, 2021. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term in view of its expected sufficient gross cash accruals in the range of ~Rs. 0.81-1.27 Cr in FY21-23 as compared to its minimal debt repayment obligation.

Outlook: Stable

Acuité believes that KMPL will maintain its moderate business risk profile in the medium term on the back of established operations and long standing experience of the promoter in the business. The outlook may be revised to 'Positive' in case of significant improvement in revenue and profitability while effectively managing its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of any deterioration in the liquidity profile or financial risk profile of the company on account of unanticipated large debt funded capex plan.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	26.45	65.30
PAT	Rs. Cr.	(1.49)	0.17
PAT Margin	(%)	(5.64)	0.26
Total Debt/Tangible Net Worth	Times	1.23	0.92
PBDIT/Interest	Times	(1.30)	1.48

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

ICRA, vide its press release dated October 29, 2020 had denoted the rating of Kedar Metals Private Limited (KMPL) as 'ICRA B+ (Stable) ISSUER NOT COOPERATING; Rating downgraded from ICRA BB (Stable) and continues to remain under Issuer Not Cooperating category and ICRA A4 ISSUER NOT COOPERATING; Rating downgraded from ICRA A4+ and continues to remain under Issuer Not Cooperating category' on account of lack of adequate information required for monitoring of 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>
- 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)

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	7.75	ACUITE BB/Stable (Assigned)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.12	ACUITE BB/Stable (Assigned)

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President - Corporate and Infrastructure Sector Tel: 022 49294041 aditya.gupta@acuite.in	Varsha Bist Senior Manager - Rating Desk Tel: 022 49294011 rating.desk@acuite.in
Shreshtha Singhvi Analyst – Rating Operations Tel: 022 49294064 shreshtha.singhvi@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 6,000 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.