

Press Release

K A I International Private Limited

March 22, 2023



Rating Reaffirmed & Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	65.17	ACUITE BB+ Reaffirmed & Withdrawn	-
Bank Loan Ratings	35.52	-	ACUITE A4+ Reaffirmed & Withdrawn
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	100.69	-	-

Rating Rationale

Acuite has reaffirmed and withdrawn the long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) and short-term rating to '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.100.69 crore of bank facilities of K A I International Private Limited

The rating has been withdrawn on Acuite's policy of withdrawal of ratings. The rating has been withdrawn on account of the request received from the company, and the NOC received from the banker.

Rationale for the reaffirmation

The rating reaffirmation takes into account the improvement in the operating income of the company, The rating also draws comfort from the experienced promoter and the company's long track record in the industry. These strengths are, however, offset by the working capital intensive in nature of operations along with the average financial risk profile.

About the Company

Odisha based, K A I International Private Limited (KIPL) was established in the year 2007 by Mr. Suresh Agarwal, Mr. Natwar Kumar Agarwal and Mr. Yashraj Sethia. The company is engaged in trading of iron ore fines, coal and steel products such as sponge iron and billets. The company procures iron ore fines from the mines in Odisha and exported to China, Singapore and United Kingdom. The company also import coal from South Africa and cater to the domestic steel players mainly from eastern part of the county. The company procures steel product domestically and cater to the rolling mills.

Analytical Approach

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

Key Rating Drivers

Strengths

Experienced management

KAIPL benefits from its experienced management. KAIPL was incorporated in 2000 and its current Directors, Mr. Pravin Kumar Agarwal and Mr. Vijay Shinde Kashinath have around two decades of experience in the hospitality industry. The company primarily owns and operates 2 hotels in Mumbai, 1 resort in Goa and 10 restaurants & food kiosks across India. Acuité believes that the experience of the promoters will continue to support the company's growth plans going forward.

Increase in revenues along with profitability margins.

The company's operating income stood at Rs. 487.81 Cr. as on 31st March 2022 as compared to Rs. 1179.06 Cr. as on 31st March 2021. Further, the operating margin of the company rose to 3.09 per cent as on 31st March 2022 as compared to 2.71 as on 31st March 2021. The PAT margin rose to 1.99 per cent on 31st March 2022 as compared to 1.85 per cent 2021. The RoCE of the company stood at 14.19 per cent as on 31st March 2022 as compared to 39.19 per cent as on 31st March 2021.

Weaknesses

Working capital intensive nature of operations

The working capital-intensive nature of operations of the company is marked by high Gross Current Asset days (GCA) of 124 as on 31st March 2022 as compared to 58 days of 31st March 2021 due to significantly changes in high other current asset which consists of other deposit, prepaid expenses material on loans etc. However, the debtor days stood comfortable at 34 days as on 31st March 2022 as compared to 05 days as on 31st March 2021. The inventory period stood relatively low at 35 days as on 31st March 2022 as compared to 09 days 31st March 2021 respectively. Acuité believes that the working capital management of KAIPL's will remain intensive given the nature of the industry.

Intense competition and inherent cyclical nature of the steel industry

The industry remained heavily fragmented and unorganised. The company is exposed to intense competitive pressures from large number of organised and unorganised players along with its exposure to inherent cyclical nature of the steel industry. Additionally, prices of raw materials and products are highly volatile in nature.

Rating Sensitivities

None

Material covenants

None

Liquidity Position

Adequate

The company's liquidity position is adequate marked by net cash accruals of Rs.10.29 Cr as on 31st March 2022 as against Rs. 1.06 Cr. long-term debt repayment during the same period. The current ratio stood at 1.10 times as on 31st March 2022, as compared to 1.20 times as on 31st March 2021. The cash and bank balances stood at Rs. 5.35 Cr. 31st March 2022. However, the working capital-intensive nature of operations of the company is marked by Gross Current Assets (GCA) of 124 days as on 31st March 2022 as compared to 58 days as on 31st March 2021, due to high other current asset which signifies FD's and interest receivables. Acuité believes that going forward the liquidity position of the company will remain adequate due to the improving net cash accruals

Outlook

Not Applicable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	487.81	1179.06
PAT	Rs. Cr.	9.73	21.80
PAT Margin	(%)	1.99	1.85
Total Debt/Tangible Net Worth	Times	0.31	0.35
PBDIT/Interest	Times	6.11	8.81

Status of Non Cooperation with other CRA

None

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Trading Entitie: <https://www.acuite.in/view-rating-criteria-61.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
03 Aug 2022	Cash Credit	Long Term	10.00	ACUITE BB+ Negative (Downgraded from ACUITE BBB- Stable)
	Proposed Bank Facility	Short Term	35.52	ACUITE A4+ (Downgraded from ACUITE A3)
	Cash Credit	Long Term	25.00	ACUITE BB+ Negative (Downgraded from ACUITE BBB- Stable)
	Cash Credit	Long Term	26.00	ACUITE BB+ Negative (Downgraded from ACUITE BBB- Stable)
	Working Capital Demand Loan	Long Term	4.17	ACUITE BB+ Negative (Downgraded from ACUITE BBB- Stable)
	Bank Guarantee	Short Term	9.00	ACUITE A3 (Assigned)
	Cash Credit	Long Term	20.00	ACUITE BBB- Stable (Assigned)

06 May 2021	Working Capital Demand Loan	Long Term	6.19	ACUITE BBB- Stable (Assigned)
	Standby Line of Credit	Short Term	2.50	ACUITE A3 (Assigned)
	Letter of Credit	Short Term	38.00	ACUITE A3 (Assigned)
	Cash Credit	Long Term	25.00	ACUITE BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	25.00	ACUITE BB+ Reaffirmed & Withdrawn
ICICI Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE BB+ Reaffirmed & Withdrawn
Canara Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	26.00	ACUITE BB+ Reaffirmed & Withdrawn
Not Applicable	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	35.52	ACUITE A4+ Reaffirmed & Withdrawn
State Bank of India	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	Simple	4.17	ACUITE BB+ Reaffirmed & Withdrawn

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, Mumbai.

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