

Press Release
Keshari International LLP
April 30, 2024
Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	47.05	ACUITE BB- Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	47.05	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) to Rs. 47.05 Cr. bank facilities of Keshari International LLP. The outlook is '**Stable**'.

Rationale for Rating

The rating reaffirmation continues to remain constrained by moderate financial risk profile, highly working capital-intensive operations and susceptibility to volatile input prices. The rating however positively takes into account the extensive experience of the partners in the plastic moulded industry along with the augmentation in the scale in FY2023 to Rs.31.13 Cr. from Rs.19.02 Cr. in FY2022. Further there has been a decline in revenues in FY2024, mainly on account of lower demand in FY2024. Acuite takes note of the healthy operating profit margin that stood at 23.25% in FY2023.

About the Company

Keshari International LLP is an Assam-based limited liability partnership firm established in July 2018, and is engaged in the manufacturing plastic moulded furniture and household items. It commenced its commercial operations in June 2021 and its product line includes three brands catering to different customer segments: it caters economical class through its brand 'Welcome National', middle class through its brand 'Marco' and high-end customers through 'Miracle'.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone business & financial risk profiles of KILLP to arrive at the ratings.

Key Rating Drivers

Strengths

Established experience of partners for over two decades in the industry

The key partner, Mr Pawan Kumar Soni, has over two decades of experience in the plastic industry, that shall support the business going forward. Acuite believes that the extensive experience of the partners will continue to benefit the firm going forward, resulting in steady growth in the scale of operations.

Improved revenue and profitability

KILLP registered revenue of Rs. 31.13 Cr. in FY23 against Rs. 19.02 Crore in FY22 marking a

growth of 64 %. The growth in sales was driven by strong demand in the market. However, in FY2024, the company has recorded sales of Rs. 26 Cr, marking a decline of 18% compared to

previous fiscal year. This decline was majorly due to lower demand due to floods in Assam in June month. The EBITDA margins of the company remained healthy at 23.25% in FY23 as against 24.26% in FY22. PAT margins stood at 1.45 % in FY23 against 0.43 % in FY22.

Weaknesses

Moderate financial risk profile

The firm's financial risk profile stood moderate marked by low networth, high gearing and moderate debt protection metrics over the medium term. The tangible networth of the firm stood at Rs.14.31 Cr. in FY2023 as against Rs.13.69 Cr. in the previous fiscal. Acuite has treated unsecured loans of Rs.3.42 Cr. from the friends and family of the partners as quasi equity as the management has undertaken to maintain this amount in the business over the medium term. The gearing of the company is high and stood at 3.08 times as on March 31, 2023. The debt protection metrics of the company remain moderate marked by Interest Coverage Ratio at 1.48 times and Debt Service Coverage Ratio at 1.38 times in FY2023 against 1.70 times and 1.69 times in FY2022. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 3.54 times in FY2023 against 2.93 times in FY2022 and is expected to remain high over the medium term.

Acuite' believes that financial risk profile of KILLP may continue to remain moderate with no major debt-funded capex plan in near term.

Working capital intensive nature of operations

The working capital operations is intensive marked by high Gross Current Assets (GCA) of 399 days in FY2023, owing to high debtor period. The inventory period stood at 90 days in FY2023 against 279 day in FY2022. The firm maintains high level of inventory as the primary raw material required for manufacturing of plastic moulded items is HDPE/PP/CP Granules which are procured in bulk from Delhi, Ahmedabad, Kolkata, etc and the transit day is around 15-20 days from the date of order. Further, the firm had to maintain a high level of inventory as on March 31, 2023, to ensure smooth production and to meet the demand in a timely manner. Moreover, the debtor period stood high at 241 days in FY2023 due to a large order from a major client, which was later realised in the current fiscal. The creditor days stood at 114 days in FY2023 against 270 days in FY2022.

Acuite believes that the working capital operations of the firm will remain almost at the same levels over the medium term as evident from improved collection mechanism.

Capital withdrawal risk associated with LLP firm.

Being an LLP firm, KILLP is exposed to the capital withdrawal risk. Any significant withdrawal from the partner's capital will have a negative bearing on the financial risk profile of the firm.

Susceptibility to volatility in prices of raw materials

Operating margin is susceptible to fluctuations in plastic granules which is the primary raw material. The prices of the raw materials are impacted by global demand and are linked to global crude oil prices, making them highly volatile. Any sharp increase in the price will impact profitability. The fluctuation in the prices is generally passed on to the customers, albeit with a lag. The firm's margins are susceptible to the rise in material costs owing to a time lag in the pass-through of price hikes to the customers, although the regular price revision mitigates the risk to an extent.

Rating Sensitivities

- Sustainable growth in revenue along with improvement in profitability margins.
- Any further elongation of the working capital cycle leading to stretch in liquidity.

Liquidity Position

Adequate

The liquidity profile of the company remains adequate. The net cash accruals of the company stood at Rs. 2.37 Cr. in FY 2023 against Rs. 0.35 Cr. of maturing debt obligations during the same tenure. Further, the current ratio stood at 1.76 times in FY2023 against 2.03 times in FY2022. However, the fund-based limit remained highly utilised at 98.5 percent for six months

ended January 2024. Moreover, the company's working capital intensive nature of operations is reflected from high Gross Current Assets (GCA) of 399 days in FY2023 but is expected to improve in the current fiscal due to improvement in debtors' collection period.

Outlook: Stable

Acuité believes that the outlook on the firm will be 'Stable' over the medium term on account of experienced partners, and average financial risk profile.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	31.13	19.02
PAT	Rs. Cr.	0.45	0.08
PAT Margin	(%)	1.45	0.43
Total Debt/Tangible Net Worth	Times	3.08	2.35
PBDIT/Interest	Times	1.48	1.70

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

Not Applicable

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

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
13 Feb 2023	Term Loan	Long Term	35.05	ACUITE BB- Stable (Assigned)
	Cash Credit	Long Term	12.00	ACUITE BB- 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
Indian Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	12.00	ACUITE BB- Stable Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.67	ACUITE BB- Stable Reaffirmed
Indian Bank	Not avl. / Not appl.	Term Loan	28 Dec 2022	Not avl. / Not appl.	30 Sep 2031	Simple	19.90	ACUITE BB- Stable Reaffirmed
Indian Bank	Not avl. / Not appl.	Term Loan	28 Dec 2022	Not avl. / Not appl.	30 Nov 2026	Simple	5.36	ACUITE BB- Stable Reaffirmed
Indian Bank	Not avl. / Not appl.	Term Loan	28 Dec 2022	Not avl. / Not appl.	30 Sep 2031	Simple	5.51	ACUITE BB- Stable Reaffirmed
Indian Bank	Not avl. / Not appl.	Term Loan	28 Dec 2022	Not avl. / Not appl.	30 Sep 2031	Simple	1.61	ACUITE BB- Stable Reaffirmed

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About Acuité Ratings & Research

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