



Press Release
KRYFS Power Components Limited
May 07, 2024
Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	32.00	ACUITE A- Stable Assigned	-
Bank Loan Ratings	60.00	ACUITE A- Stable Reaffirmed	-
Bank Loan Ratings	188.00	-	ACUITE A1 Assigned
Bank Loan Ratings	275.00	-	ACUITE A1 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	555.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of **ACUITE A- (read as Acuite A minus)** and short-term rating of **ACUITE A1 (read as Acuite A one)** on Rs 335 Cr. bank facilities of Kryfs Power Components Limited (KPCL). The outlook is 'Stable'.

Acuite has assigned its long-term rating to **ACUITE A- (read as Acuite A minus)** and short-term rating of **ACUITE A1 (read as Acuite A one)** on Rs 220 Cr. bank facilities of Kryfs Power Components Limited (KPCL). The outlook is 'Stable'.

Rationale for reaffirmation :

The rating reaffirmation takes into account the established track record of operations along with experienced management of KPCL for more than three decades in manufacturing of CRGO laminations, transformers and transformer core, augmentation in business risk profile backed by improvement in scale of operations, healthy financial risk profile and has been sustained during the current year(FY2024). The group's revenue stood at Rs.947.54 Cr. in FY2023, implying a growth rate of ~62.91 percent against the previous year. Further, the group is estimated to achieve a revenue of Rs.1126.10 Cr. in FY2024. However, margins have deteriorated and stood at 7.01 percent. The financial risk profile of the group continues to be healthy with comfortable debt protection metrics and low gearing levels. The overall gearing of the company stood at 0.04 times as on March 31, 2023, as against 0.08 times as on March 31, 2022. The interest coverage ratio stood at 6.66 times in FY2023 against 7.41 times in FY2022. The ratings are further supported by group's healthy order book position of Rs. 1722.26 Cr. as on March 31, 2024. The reliance on short-term bank borrowing also remains very low-in fund-based limits for the last 10 months ended March 2023.

The rating remains constrained by the working capital-intensive nature of operations and vulnerability of profitability to raw material prices.

About Company

KRYFS Power Components Limited (KPCL) is established in 1991 & commenced operations in

December 1992 as a manufacturing and trading company, with its first manufacturing plant in Palghar, Maharashtra, 110 kms from Mumbai. Considering the ever-growing demand for electricity in all parts of the country, it initiated with manufacturing the most critical raw material for the manufacture of transformers, CRGO laminations and transformer core. KRYFS is India's leading Transformer Core manufacturing company with a capacity to process 40,000 MTPA of CRGO Electrical Steel. KRYFS manufactures & supplies high quality low loss Amorphous Core loops for both 1-Phase and 3-Phase distribution transformer by using amorphous metal imported from prominent source. Currently, KPCL also have 3 units located at Silvassa for manufacturing of CRGO lamination and transformers.

About the Group

Kryfs Group is comprises of Kryfs Power Components Limited (KPCL), Kryfs Transformers Pvt Ltd (KTPL), Satyam (Fab) Industries Pvt Ltd (SIPL) and Kryfs Electricals Pvt Ltd (KEPL).

KPCL is majorly engaged into manufacturing of CRGO Laminations, Transformer cores and transformers and having its 1 unit located at Palghar and 3 units at Silvassa with a capacity of 40,000 MTPA and 2000 MVA.

KTPL's unit is located at Baroda acquired in 2012 from Pratik Transformers Pvt Ltd, specifically for manufacturing of transformers.

KFPL is acquired in 2018 and is specialised in manufacturing of tank (steel fabrication) of transformers with a capacity of 5000 MTPA.

KEPL is a non-operational.

Unsupported Rating

Not applicable

Analytical Approach

Extent of Consolidation

- Full Consolidation

Rationale for Consolidation or Parent / Group / Govt. Support

The team has considered a consolidated approach for the rating exercise of Kryfs Power Components Limited. The following 100% subsidiaries have been consolidated:

- Kryfs Transformers Private Limited (KTPL)
- Kryfs Fabrication private limited (ERSTWHILE Satyam (Fab) Industries Private Limited) (KFPL).
- Kryfs Electricals Private Limited (KEPL)

Key Rating Drivers

Strengths

- **Established track record of operations along with experienced management**

The KPCL was established in 1992 and has been engaged in manufacturing of CRGO Lamination, Transformers and core transformers since then, thus having a track record of more than three decades in this business. Further, the directors of the company, Mr Rauzat Saifuddin Qureishi and Mr Saifuddin Fakhruddin Qureishi, have experience of more than 22 years and 12 years respectively, in this line of business. The established track record and experienced management has helped the group to maintain a longstanding relationship with reputed customers and suppliers. The customers of the company include Transformers and Rectifiers Ltd, Bharat Bijlee Ltd, ECE Industries Ltd, South Bihar Distribution and Retrasib SA, among others. The group is procuring materials from suppliers, namely Toyota Tsusho Corporation, NLMK Group and ThyssenKrupp, among others. These three suppliers cater to almost 70% of the raw material requirements of the group. The group does not have any such formal contracts with these vendors for the supply of raw materials but, however, it is having a longstanding relationship with them

and has the basis that there is an understanding between them about the supply of 10,000-12,000 MT of raw materials per annum. Acuite believes that KPCL will continue to benefit from its established track record and presence along with relationships with reputed customers and suppliers.

- **Significant scale of operations and healthy order book position**

The operating income of the group has reported significant growth with YOY growth of 62.91 percent in FY2023 as compared to FY2022. Revenues stood at Rs.947.54 Cr. in FY2023 against Rs.581.62 Cr. in FY2022. The improvement in the revenues is on account of increased volumes and price realization in FY2023. The capacity utilization also improved in FY2023 with utilization of 61.11 percent and 28.95 percent, as against 53.7 percent and 6.2 percent in FY2022 for CRGO lamination and transformer respectively. The group has a healthy order book position of Rs 1722.26 Cr. as of March 2024, which is to be executed in the next 1–2 years, which provides revenue visibility over the medium term. Further, the group is estimated to achieve a revenue of Rs.1126.10 Cr. in FY2024. The operating profit margins ranged between 8.67-10.57 percent for the last two years ended FY2023. Acuite believes that the scale of operations may continue to improve over the medium term backed by a healthy order book position and demand prospects for the power system equipment. However, maintaining the operating margins is a key rating sensitivity.

- **Healthy financial risk profile metrics**

The group's financial risk profile is healthy, marked by a healthy net worth, low gearing, and healthy debt protection metrics. The net worth of the company stood at Rs.348.32 Cr. and Rs.304.02 Cr. as on March 31, 2023, and 2022 respectively. The improvement in net worth is due to accretion of reserves. As on March 31, 2023, the total debt comprised of Rs. 0.30 Cr. of unsecured loans from promoters and directors and short-term debt of Rs. 12.62 Cr. and term loans of Rs.1.77 Cr. The group follows a conservative financial risk policy reflected by its gearing. The gearing of the company stood at 0.04 times as on March 31, 2023 against 0.08 times as on March 31, 2022. It has improved on account of a reduction in short-term debt. The debt protection metrics – interest coverage ratio and debt service coverage ratio stood at 6.66 times and 5.10 times as on March 31, 2023, respectively, as against 7.41 times and 5.45 times as on March 31, 2022, respectively. TOL/TNW (Total outside liabilities/Total net worth) stood at 1.00 times and 0.74 times as on March 31, 2023 and 2022 respectively. The debt to EBITDA of the company stood at 0.18 times as on March 31, 2023, as against 0.40 times as on March 31, 2022. Acuite believes that the financial risk profile of the Kryfs group will remain healthy over the medium term with improved operations and no major debt-funded capex.

Weaknesses

- **Working capital intensive operations**

Group's working capital operations are intensively marked by high gross current Asset (GCA) at 212 days as on March 31, 2023, as against 264 days as on March 31, 2022. However, the GCA days have been improved in FY2023 on account of improved Debtor days. Inventory days stood at 88 days as on March 31, 2023, as against 90 days as on March 31, 2022. Debtor day stood at 119 days as on March 31, 2023 as against 162 days as on March 31, 2022. The group needs to maintain an inventory of raw material for 60-90 days as they are importing majority of their requirements. Further, the lead-time for manufacturing CRGO lamination and transformer is 10-15 days and 40-45 days respectively. Subsequently, the payable period stood at 143 days on March 31, 2023 as against 146 days on March 31, 2022 respectively. Further, the limits remain unutilized for fund-based-and 81 percent for non-fund-based over the 10 months ended March 31, 2023. Acuite believes that operations of the group may continue to remain working capital intensive over the medium term considering the credit period allowed to

customers and requirement towards maintaining sufficient level of inventory.

- **Vulnerability of profitability to raw material prices**

The profitability margins of the group remain vulnerable to any fluctuations in the raw material prices. The major raw material for this industry is steel and fluctuation in the prices of same may put pressure on profitability levels. The level of competition is fairly high for government tenders. At the lower end of distribution of transformer market there is some fragmentation, though there are largely organised players like Toshiba, BHEL ABB, CG Power & others.

Rating Sensitivities

- Improvement in profitability margins while Scaling up of operations.
- Sustenance of their conservative capital structure
- Working capital management

Liquidity Position: Adequate

The group's liquidity position is adequate, marked by adequate net cash accruals to its maturing debt obligations. The group generated cash accruals of Rs.54.65 Cr in FY2023, while its maturing debt obligations were Rs. 0.42 Cr during the same period. Going forward, the company is expected to generate net cash accruals in the range of Rs. 41-62 Cr in FY 2024-25 against Rs.0.13-0.45 Cr debt obligations. The current ratio stood at 1.64 times as on March 31, 2023, and the limits remain unutilized for fund-based and 81 percent for non-fund-based over the 10 months ended March 31, 2023, for fund-based. The company maintains unencumbered cash and bank balances of Rs.22.13 Cr as on March 31, 2023. Acuité believes that the company's liquidity will remain sufficient over the medium term backed by healthy accrual generation.

Outlook: Stable

Acuité believes that the outlook on KPCL will remain 'Stable' over the medium term on account of the long track record of operations along with improving scale of operations and the group's healthy financial risk position. The outlook may be revised to 'Positive' in case of significant growth in revenue from the current levels while improving its margins and financial risk profile and improvement in working capital operations. Conversely, the outlook may be revised to 'Negative' in case of a significant deterioration in the revenues or operating margins and further elongation in its working capital cycle leading to stretch in liquidity.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	947.54	581.62
PAT	Rs. Cr.	44.05	34.62
PAT Margin	(%)	4.65	5.95
Total Debt/Tangible Net Worth	Times	0.04	0.08
PBDIT/Interest	Times	6.66	7.41

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

Not applicable

Any Other Information

None

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Consolidation Of Companies: <https://www.acuite.in/view-rating-criteria-60.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities: <https://www.acuite.in/view-rating-criteria-59.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
11 Apr 2023	Letter of Credit	Short Term	125.00	ACUITE A1 (Assigned)
	Bank Guarantee (BLR)	Short Term	75.00	ACUITE A1 (Assigned)
	Letter of Credit	Short Term	55.00	ACUITE A1 (Assigned)
	Letter of Credit	Short Term	20.00	ACUITE A1 (Assigned)
	Cash Credit	Long Term	20.00	ACUITE A- Stable (Assigned)
	Cash Credit	Long Term	5.00	ACUITE A- Stable (Assigned)
	Cash Credit	Long Term	30.00	ACUITE A- Stable (Assigned)
	Cash Credit	Long Term	5.00	ACUITE A- 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
Bank of India	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	75.00	ACUITE A1 Reaffirmed
Bank of India	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	55.00	ACUITE A1 Assigned
Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	20.00	ACUITE A- Stable Reaffirmed
CITI Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	ACUITE A- Stable Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	30.00	ACUITE A- Stable Reaffirmed
ICICI Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	ACUITE A- Stable Reaffirmed
Indusind Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	3.00	ACUITE A- Stable Assigned
ICICI Bank Ltd	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	15.00	ACUITE A1 Reaffirmed
Bank of India	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	125.00	ACUITE A1 Reaffirmed
CITI Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	55.00	ACUITE A1 Reaffirmed
CITI Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	40.00	ACUITE A1 Assigned
HDFC Bank Ltd	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	40.00	ACUITE A1 Assigned
Indusind Bank Ltd	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	53.00	ACUITE A1 Assigned

Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	29.00	ACUITE A- Stable Assigned
Not Applicable	Not avl. / Not appl.	Proposed Short Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	ACUITE A1 Reaffirmed

***Annexure 2 - List of Entities (applicable for Consolidation or Parent / Group / Govt. Support)**

- 1.Kryfs Power Components Limited (KPCL)
- 2.Kryfs Transformers Private Limited (KTPL)
- 3.Kryfs Fabrication private limited (ERSTWHILE Satyam (Fab) Industries Private Limited) (KFPL).
- 4.Kryfs Electricals Private Limited (KEPL)

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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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