



**Press Release**  
**K R ASSOCIATES**  
**February 20, 2025**  
**Rating Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	32.00	ACUITE BB   Stable   Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	32.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

**Rating Rationale**

Acuite has reaffirmed its long-term rating of '**ACUITE BB**' (read as **ACUITE double Bo**) on the Rs.32.00 Cr. bank facilities of K R Associates. The outlook is '**Stable**'.

**Rationale for rating**

The rating reaffirmed factors in the steady business risk profile marked by operating income of Rs.129.19 Cr. in FY24 and slight decline in the operating margin mainly due to lower realisation in cement. The rating also factors in the efficient working capital cycle as reflected by Gross Current Asset Days of 56 days due to efficient collection mechanism and inventory holding period. However, remains constrained by leveraged capital structure (D/E: 2.50 times as on March 31, 2024), stretched liquidity and susceptibility in profit margins to volatility in the input cost.

**About the Company**

Established in 2009, K R Associates (KRA), an Assam based firm is engaged in the manufacturing of cement and clinker. The firm has commenced production of cement in November'19 with manufacturing capacity of 400 TPD and have been manufacturing cement for Amrit Cement Ltd on job work basis until FY2023. Subsequently, the firm has set up its own clinker division with manufacturing capacity of 300 TPD with commercial production starting from June'22 to avail the synergy benefits of grinding and manufacturing its own cement. The firm currently manufactures and market the cement under the Brand Name "Galaxy Cement".

**Unsupported Rating**

Not applicable

**Analytical Approach**

Acuite has considered the standalone business and financial risk profile of KRA to arrive at the rating.

**Key Rating Drivers**

**Strengths**

**Experienced partners**

One of the promoters, Mr. Deepak Kayal has more than two and a half decades of experience in the cement industry. The other partners of firms have varied experience and have been running successful business in diversified portfolio. The same has led to developing healthy relationship with both customers and suppliers. Acuite believes that the experience of the partners would support the business risk profile in near to medium term.

**Improvement in scale of operations.**

The firm has reported revenue of Rs.129.19 Crore in FY24 against Rs.94.65 Crore in FY23. In addition, the

EBITDA Margins of the firm declined marginally but stood at 8.68% in FY24 against 9.65% in FY23 due to lower realisation in the cement. However, the PAT Margins of the firm improved to 1.41% in FY24 against -1.47% in FY23. Going forward, the firm has achieved revenue of Rs.60.47 Crore from April 2024 to November 2024. In current year, on the account of lower demand in North east region of India the turnover has been impacted. Going forward it is expected to be improved in near to medium term.

**Efficient working capital management**

The firm has a efficient working capital management marked by improved GCA days of 56 days in FY2024 as against 76 days in FY2023 on account of improvement in debtor collection period and inventory day. The debtor

period improved to 19 days in FY2024 as against 23 days in FY2023. The inventory period also improved and stood comfortable at 18 days in FY2024 as against 32 days in FY2023 and creditor days also improved and stood at 32 days in FY 2024 against 44 days in FY 2023. Acuité believes that going forward the working capital operations of the firm will remain same in near to medium term.

## **Weaknesses**

### **Average financial risk profile**

The firm's financial risk profile is average marked by moderate net worth base, high gearing but comfortable debt protection metrics. The tangible net worth of the firm decrease to Rs.17.07 Cr. as on March 31, 2024 from Rs.17.92 Cr. as on March 31, 2023 due to capital withdrawn by the partners. Gearing of the firm stood at 2.50 times as on March 31, 2024 as against 2.34 times as on March 31, 2023. Moreover, the comfortable debt protection metrics is marked by Interest coverage Ratio of 3.37 times as on March 31, 2024 as against 3.73 times as on March 31, 2023 and Debt Service Coverage Ratio at 1.26 times as on March 31, 2024 as against 1.16 times as on March 31, 2023. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 3.19 times as on March 31, 2024 as against 3.03 times as on March 31, 2023. The Net Cash Accruals/Total Debt (NCA/TD) stood at 0.22 times as on March 31, 2024 as against 0.16 times as on March 31, 2023.

Acuité believes that going forward the financial risk profile of the firm is likely to be sustained backed by steady accruals and no major debt funded capex plans.

### **Susceptibility to volatility in input cost; cyclical associated with the cement industry**

Cement industry is highly cyclical in nature and depends largely on the economic growth of the country. There is a high degree of correlation between the GDP growth and the growth in cement consumption. Cement being a cyclical industry goes through phases of ups and downs, and accordingly impacts the unit realizations. Moreover, profitability remains susceptible to volatility in input prices, including raw material, power, fuel and freight. Realisations and profitability are also affected by demand, supply, offtake and regional factors. KRA remains exposed to frequent fluctuations in power cost in addition to the risks of volatile other input prices.

### **Risk of capital withdrawal**

K R Associates constitution as a partnership firm is exposed to discrete risks, including the possibility of withdrawal of capital by the partners. The same has been witnessed in FY 24 when capital withdrawal led to decline in net worth to Rs. 17.07 Cr. from Rs. 17.92 Cr. in FY23. Moreover, the partnership nature partially limits the flexibility to raise the funds vis-a-vis a limited company.

Acuité believes that any substantial withdrawal of capital by the partners is likely to have an adverse impact on the capital structure.

## **Rating Sensitivities**

- Movement in the scale of operations along with movement in the profitability margins
- Movement in the working capital operations
- Movement in capital structure

## **Liquidity Position**

### **Stretched**

The firm has a stretched liquidity position marked by Net Cash Accruals of Rs.9.48 Cr. as on March 31, 2024 as against current maturities of long-term debt of Rs.6.69 Cr. However, the current ratio stood low at 0.74 times as on March 31, 2024 due to the fund-based limits remained highly utilised at 96.70 per cent for the last seven months ended November 2024. The cash and bank balance stood at Rs.0.80 Cr. as on March 31, 2024.

Acuité believes that going forward the firm is likely to have stretched liquidity position in the near to medium term on account of high reliance on bank funding for working capital requirements, low current ratio, capital withdrawal albeit steady accruals and absence of debt funded capex plans.

## **Outlook: Stable**

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	129.19	94.65
PAT	Rs. Cr.	1.83	(1.40)
PAT Margin	(%)	1.41	(1.47)
Total Debt/Tangible Net Worth	Times	2.50	2.34
PBDIT/Interest	Times	3.37	3.73

### 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, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook	
11 Jan 2024	Term Loan	Long Term	16.88	ACUITE BB	Stable (Assigned)
	Term Loan	Long Term	6.59	ACUITE BB	Stable (Assigned)
	Cash Credit	Long Term	8.25	ACUITE BB	Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	0.28	ACUITE BB	Stable (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Axis Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	9.40	Simple	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.	3.17	Simple	ACUITE BB   Stable   Reaffirmed
North Eastern Development Finance Corporation Ltd.	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 Mar 2030	14.96	Simple	ACUITE BB   Stable   Reaffirmed
North Eastern Development Finance Corporation Ltd.	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 Sep 2026	4.47	Simple	ACUITE BB   Stable   Reaffirmed

## Contacts

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### About Acuité Ratings & Research

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