



**Press Release**  
**KOSHAL CERAMICS PRIVATE LIMITED**  
**April 23, 2024**  
**Rating Assigned**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	28.35	ACUITE BB   Stable   Assigned	-
Total Outstanding Quantum (Rs. Cr)	28.35	-	-

**Rating Rationale**

Acuite has assigned its long-term rating of '**ACUITÉ BB**' (read as **ACUITE double B**) on the Rs. 28.35 Cr. bank facilities of Koshal Ceramics Private Limited (KCPL). The outlook is '**Stable**'.

**Rationale for Rating-**

The rating assigned reflects the established track record and industry experience of the directors of the company in the manufacturing of refractory bricks, castables, etc. The rating also factors in the moderate financial risk profile of the company along with adequate liquidity position. Further, it factors in the stable scale of operation with revenue of Rs 107.20 Cr. in FY 2024 (Est) as against Rs 102.10 Cr. in FY 2023. However, the rating is constrained by moderate working capital operations, moderate customer concentration risk with top five customers constituting for almost 79% of its revenue. Further, it factors in the susceptibility of profitability to fluctuations in raw material prices.

**About the Company**

Koshal Ceramics Private Limited was incorporated on 5th May 2009, is engaged in manufacturing and supplying of refractory bricks, castables, petroleum coke, and processing used refractories. Koshal Ceramics serves diverse industrial needs. The Directors of the company are Mr. Rajesh Agrawal, Mr. Deepak Agrawal, Mr. Anil Kumar Kedia and Mrs. Kabita Kedia. The Company manufactures Refractories Bricks, Castables and Petroleum Coke with an installed capacity of manufacturing 36000 MT, 24000 MT & 12000MT respectively, apart from the above company also has processing capacity of Used Refractories of 4800 MT. Further, the company is strategically situated in Raghunathpali, Odisha, in close proximity to key end-users such as TRL Krosaki Refractories (TRL).

**Unsupported Rating**

Not Applicable

**Analytical Approach**

Acuite has considered the standalone business and financial risk profile of Koshal Ceramics Private Limited (KCPL) to arrive at the rating.

**Key Rating Drivers**

**Strengths**

**Experienced management and established track record of operations-**

The company is managed by Mr. Rajesh Agrawal, Mr. Deepak Agrawal, Mr. Anil Kumar Kedia and Mrs. Kabita Kedia and a team of experienced personnel. The directors possess over 15

years of experience in this line of business. The long-standing experience of the promoter and long track record of operations has helped the company to establish comfortable

relationships with key suppliers and customers. Further, it helped the company to maintain a stable scale of operations with revenue of Rs 107.20 Cr. in FY 2024 (Est) as against Rs 102.10 Cr. in FY 2023.

Acuite believes that company shall continue to benefit from its established presence and track record along with a healthy relationship with customers.

### **Moderate Financial Risk Profile -**

The financial risk profile of the company is moderate, marked by moderate net worth, moderate gearing and moderate debt protection metrics. The net worth of the company stood at Rs.20.20 crore in FY 2023 as compared to Rs 12.95 crore in FY2022. The increase in networth is majorly due to the classification of Unsecured Loan (USL) of Rs 6 Cr. into quasi equity as it is subordinated to bank loan and accretion of profits to the reserves. The gearing of the company has stood moderate at 1.85 times in FY 2023 as compared to 3.33 times in FY 2022. The improvement in gearing is majorly due to classification of USL into quasi equity. The gearing is expected to remain at similar levels over the medium term on account of absence of any debt funded capex plans. The TOL/TNW of the company stood at 1.94 times as on 31<sup>st</sup> March 2023 as against from 4.00 times as on 31<sup>st</sup> March 2022. Further Debt Protection metrics stood moderate with Interest Coverage Ratio (ICR) stood at 2.41 times as on 31<sup>st</sup> March 2023 as against 2.10 times as on 31<sup>st</sup> March 2022. The Debt Service Coverage Ratio (DSCR) of the company stood at 2.26 times as on 31<sup>st</sup> March 2023 as compared to 1.94 times in the previous year. The Net Cash Accruals to Total Debt (NCA/TD) ratio stood at 0.16 times as on 31<sup>st</sup> March 2023 as compared to 0.10 times in the previous year.

Acuite expects the financial risk profile of the company may continue to remain moderate, with no major debt funded capex plan in future and steady cash accruals.

### **Weaknesses**

#### **Moderate Working capital management -**

The working capital operations of the company are moderate in nature marked by GCA days of 108 days in FY2023 against 147 days in FY2022. The debtor's collection period stood at 25 days in FY2023 as against 51 days in FY2022. The inventory days for the company stood at 86 days in FY2023 as against 96 days in FY2022. Also the creditors days stood at 3 days in FY2023 as against 39 days in FY2022. Furthermore, the average utilization of working capital for fund based limits remained moderate, averaging around 80% over the last 6 months ending January 2024.

Acuite believes that working capital operations of KCPL may continue to remain moderate considering the nature of operations

#### **Customer concentration risk**

The company faces high customer concentration risk, The top 5 customers collectively account for approximately 79% of the total revenue, indicating a notable concentration of revenue among a limited number of clients. Further, of which TRL only constitutes for 60-70% of the revenue., highlighting a significant dependency on a few key customers and thus posing a customer concentration risk. The financial and business risk profile changes of these key customers can impact KCPL. However, it is worth noting that the company has maintained a relationship with TRL Krosaki for the past thirteen years.

Acuite believes ability of the company to diverse its customer base is a key rating sensitivity.

#### **Susceptibility of profitability to competitive industry and fluctuations in raw material prices -**

The company operates in a highly competitive and fragmented industry and faces tough competition from various established brands in the refractory industry as well as several unorganized players, Due to the competitive nature of the industry, players have limited pricing flexibility when dealing with large cement and steel companies, leading to high margin

pressure. Any volatility in the prices of the raw materials has a direct impact on the profitability margins of the company.

### **Rating Sensitivities**

Improvement in scale of operation while improving the profitability margin.  
Any elongation in its working capital cycle.  
Deterioration in financial risk profile.  
Customer Concentration risk

### **Liquidity Position Adequate**

The company's liquidity position is adequate, and the company has sufficient net cash accruals of Rs.5.88 Cr. in FY2023 as against its maturity debt obligations of Rs.3.19 Cr. in the same tenure. In addition, it is expected to generate a sufficient cash accrual in the range of Rs. 6.71 – 7.61 crores as against the maturing repayment obligations of around Rs. 3.10 Cr. over the medium term. However, the working capital management of the firm is moderate marked by GCA days of 108 days in FY2023 as against 147 days in FY2022. The current ratio stands at 1.62 times as on 31<sup>st</sup> March 2023 as against 2.28 times as on 31<sup>st</sup> March 2022. However, the average bank limit utilization for the past 6 months ending January 2024 is moderate averaging around 80% percent.

Acuite believes that liquidity position of the company may continue to remain adequate with steady cash accruals.

### **Outlook: Stable**

Acuite believes the outlook on KCPL will continue to remain 'Stable' over the medium term backed by its long track record of operations and experienced management and moderate financial risk profile. The outlook may be revised to 'Positive' if the company is able to successfully acquire higher orders which will lead to significant improvement in scale of operations and the profitability margins while also improving its working capital operations. Conversely, the outlook may be revised to 'Negative' in case of any operating inefficiency by KCPL leading to deterioration in revenue and profitability along with financial risk profile and liquidity position of the company.

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	102.10	87.92
PAT	Rs. Cr.	1.25	0.97
PAT Margin	(%)	1.23	1.11
Total Debt/Tangible Net Worth	Times	1.85	3.33
PBDIT/Interest	Times	2.41	2.10

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

None

### 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](http://www.acuite.in).

### Rating History :

Not Applicable

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Union Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	21.00	ACUITE BB   Stable   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	0.75	ACUITE BB   Stable   Assigned
Union Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 Mar 2026	Simple	1.45	ACUITE BB   Stable   Assigned
Union Bank of India	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	01 Jun 2028	Simple	5.15	ACUITE BB   Stable   Assigned

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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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