



Press Release

Kalyaneswari Udyog Pvt Ltd (KUPL)

August 28, 2020

Ratings

Sl. No.	Instrument/Facility	Amount (INR Crores)	Rating Assigned
1.	Long Term Facility – Fund Based – Cash Credit	6.50	IVR BB+ / Stable Outlook (IVR Double B Plus with Stable Outlook)
2.	Short Term Non Fund Based Facility – Bank Guarantee	2.00	IVR A4+ (IVR A Four Plus)
	Total	8.50	

Details of Facilities are in Annexure 1

Detailed Rationale

The aforesaid rating assigned to the bank facilities of the entity derives comfort from its experienced promoters, diversified and reputed customer base, healthy financial risk profile characterized by healthy gearing and adequate accruals. However, small scale of operations, elevated working capital cycle, supplier concentration with low bargaining power and intense competition from unorganised players are the rating constraints.

Key Rating Sensitivities

Upward factors:

- Substantial & sustained improvement in revenues while maintaining EBITDA margin & debt protection metrics

Downward factors:

- Any decline in revenue & EBITDA margin leading to decline in debt protection metrics
- Further strain on working capital cycle due to elongation of receivable period



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Key Rating Drivers with detailed description

Key Rating Strengths

Experienced Promoters

The promoters of the company has over three decades of experience in the field of manufacturing polypropylene woven sacks, which find utility as industrial packaging materials ideally suited for cement, sugar, food grains among others. Their experience and industry knowledge has helped the company to build and maintain good business relationships.

Diversified & reputed customer base

KUPL caters to diverse sectors and companies. Their key customers include Brahmaputra Cracker & Polymer Ltd and GAIL in polymers, Indian Farmers Fertiliser Cooperative Limited in fertilizers, Bajaj Hindustan Sugar Ltd in sugar and cement companies in the region.

Healthy financial risk profile characterized by healthy gearing and adequate accruals

The overall gearing ratio of the company has improved from 1.00x in FY19 to 0.78x in FY20 (P) owing to minimal capital expenditure and reducing levels of debt. Although modest, the company has cash accruals amounting to INR1.98 crore in FY20 (P). The interest coverage ratio has improved from 3.90x in FY19 to 5.53x in FY20 (P).

Key Rating Weaknesses

Small scale of operations and an elevated working capital cycle

The company's scale of operations remains small with revenues of INR31.49 crore in FY20 (P). The limited profitability has kept the networth at a moderate level amounting to INR10.16 crore in FY20 (P). Their scale also affects their bargaining power with their customers. The company has seen an increase in their debtor days from 56 in FY19 to 72 in FY20 (P), their creditor days have remained at 3 days over the past two fiscals, which has stretched their operating cycle from 128 days in FY19 to 138 days in FY20 (P).

Supplier concentration with low bargaining power

The major suppliers of raw material to the company are from large petrochemical companies with their top 2 suppliers forming more than 69% of the total raw material purchases and their



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top 5 suppliers attributing to over 90% of the total raw material purchase, moreover, suppliers are large corporates limiting the bargaining power.

Intense competition from unorganised players

The company derives over 98% of its revenues from the sale of Fabrics and Sacks which is a highly competitive industry. The woven Fabrics and Sacks manufacturing is a fragmented industry with a large number of players operating in this segment. A large number of small-scale units resulted in fragmented nature of the industry, leading to intense competition among the players, which in-turn reduces their pricing power.

Analytical Approach:

Standalone

Applicable Criteria

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity - Adequate

Liquidity is adequate, with the company having a total debt outlay amounting to INR1.08 crore in FY20 (P) as against cash accruals of INR1.98 crore. The company has a current ratio of 1.74x and quick ratio of 1.24x, which are expected to improve in the future.

About the Group and Company

Incorporated in 2008, Kalyaneswari Udyog Private Ltd (KUPL) is engaged in manufacturing of P.P woven fabrics & sacks bags. The company manufactures these bags in different sizes and shapes. The manufacturing unit of is located at Kulti (West Bengal) and has a single-shift production capacity of approx. 2900 tons per annum.



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Financials (Standalone)*:

(INR crore)

For the year ended/ As On	31-03-2018	31-03-2019	31-03-20
	(Audited)	(Audited)	(Provisional)
Total Operating Income	28.07	31.51	31.49
EBITDA	3.97	3.43	3.48
PAT	1.64	1.41	1.48
Total Debt	6.56	9.14	8.33
Tangible Net-worth	7.24	8.62	10.16
Ratios			
EBITDA Margin (%)	14.14	10.88	11.06
PAT Margin (%)	5.96	4.45	4.70
Overall Gearing Ratio (x)	0.85	1.00	0.78

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: None

Any other information: None

Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (INR crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Long Term Facility –Fund Based – Cash Credit	Long Term	6.50	IVR BB+/ Stable Outlook	--	--	--
2.	Short Term Facility – Non Fund Based – Bank Guarantee	Short Term	2.00	IVR A4+	--	--	--

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
Long Term Facility –Fund Based - Cash Credit	NA	NA	Revolving	6.50	IVR BB+/ Stable Outlook
Short Term Facility – Non Fund Based – Bank Guarantee	NA	NA	Up to 1 year	2.00	IVR A4+