



Press Release

Khetan Corru Case Private Limited

October 08, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	29.56	IVR BB/Stable (IVR Double B with Stable outlook)	-	Assigned	Simple
Total	29.56 (Rupees Twenty- nine crore fifty- six lakhs only)				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics Ratings has assigned its rating to the Bank facilities of Khetan Corru Case Private Limited (KCCPL) which derive strength from experienced promoters with long track record in the packaging industry, reputed customer profile, moderate scale of operations and profitability. However, the ratings are constrained by company's presence in a fragmented industry structure with stiff competition, average financial risk profile, and vulnerability of profitability to volatility in paper prices.

The outlook is stable in view of extensive experience of the promoters and long-term relationship with large MNC companies.

Key Rating Sensitivities:

Upward Factors

- Healthy growth in revenue and profitability, leading to healthy cash accruals on a sustained basis.
- Strengthening of its net worth, leading to improvement in capital structure and liquidity.



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Downward Factors

- Any significant decline in revenues and operating margins may resulting in lower cash flows on a sustained basis.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters with long track record in the packaging industry

The founders of KCCPL bring over thirty years of experience in the paper packaging sector, which has given them a thorough understanding of market trends and helped them build enduring connections with numerous clients. Their clientele features several prominent companies in the food and beverage, FMCG, and white goods industries, among others. This extensive experience and established client relationships are expected to continue supporting KCCPL's business stability in the near future.

Reputed customer profile

KCCPL customers include well established brands such as JK Paper Limited, ITC Limited, Procter & Gamble Home Products Ltd., United Breweries, Tata Consumer and Bajaj Electronics Limited. Established relationships with its customers ensure steady order flow, providing adequate revenue visibility.

Moderate scale of operations and profitability

The total operating income (TOI) improved by 13.89% to Rs. 75.23 crore in FY24(P) (refers to period from 1st April,2023 to 31st March 2024) from Rs. 66.05 crore in FY23(refers to period from 1st April 2022 to 31st March 2023). The EBITDA margin increased to 13.02% in FY24(Prov.) as against 12.66% in FY23 due to increase in TOI. The PAT margins stood comfortable at 4.21% in FY24(P) though decreased from 5.87% in FY23 due to increase in finance cost on Term loans taken to fund capex in FY24.



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Key Rating Weaknesses

Presence in a fragmented industry structure with stiff competition

The company faces stiff competition from both organized and unorganized players in the paper industry, which limits its pricing flexibility and bargaining power with customers, thereby exerting pressure on its revenues and margins. However, due to the low margins, the business of Corrugated Box remains primarily regionalized as high transportation costs make it economically unviable to sell the paper at faraway locations. KCCPL caters around ~96% of its sales in Telangana in FY24(P) which indicates a geographical concentration.

Average financial risk profile marked by leveraged capital structure and moderate debt protection metrics

The company's capital structure has remained leveraged over the years due to its relatively modest net worth, although tangible net worth improved to Rs. 19.71 crore as of March 31, 2024 (P), up from Rs. 14.54 crore on March 31, 2023, due to profit accumulation and capital infusion. The overall gearing ratio was 2.72x as of March 31, 2024 (P), compared to 2.44x the previous year. Additionally, the total outside liabilities to tangible net worth (TOL/TNW) worsened from 2.93x as on 31st March, 2023 to 3.27x as on 31st March, 2024. The company's debt protection metrics remained moderate, with an interest coverage ratio of 2.77x in FY24 (P) and 2.87x in FY23. In FY24, KCCPL completed a debt-funded capital expenditure of approximately Rs. 17.95 crore, resulting in an increase in the company's total debt.

Vulnerability of profitability to volatility in paper prices

KCCPL's main raw material is paper, which forms about 80-90% of its total raw material cost. The company has limited control over raw material prices and its ability to pass on the price fluctuation to its end-customers is also low. Hence, its profitability is exposed to adverse fluctuations in paper prices.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies.](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\).](#)

[Criteria for assigning Rating outlook.](#)



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[Policy on Default Recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)

Liquidity –Adequate

The liquidity position of the company is expected to remain adequate in the near to medium term backed by its expected adequate gross cash accruals as against its debt repayment obligations during FY25-27. Additionally, average utilization of its working capital limits, which remained at ~62% during the past 12 months ended August 2024, indicating an adequate liquidity buffer.

About the Company

Khetan Corru Case Private Limited (KCCPL) was founded in 2016 by Mr. Ashok Sedulal Khetan and Mr. Ayush Ashok Khetan. The promoters have three decades of experience in the corrugation industry, focusing on the manufacturing and trading of high-compression boxes. The manufacturing facility began commercial operations in August 2017, with an initial capacity of 18,000 MTPA located in Mahbubnagar, Telangana, while printing services were outsourced. In June 2023, the company completed an expansion project, increasing capacity to 30,000 MTPA and installing advanced machinery, including computerized box design, 4-color continuous screen printing (4-color plus 1 varnish), and an automatic rotary die-cutter.

Financials (Standalone):

For the year ended/ As on*	(Rs. crore)	
	31-03-2023	31-03-2024
	Audited	Provisional
Total Operating Income	66.05	75.23
EBITDA	8.36	9.80
PAT	3.88	3.18
Total Debt	35.52	53.62
Tangible Net Worth	14.54	19.71
EBITDA Margin (%)	12.66	13.02
PAT Margin (%)	5.87	4.21
Overall Gearing Ratio (x)	2.44	2.72
Interest Coverage (x)	2.87	2.77

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: Nil



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Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (2024-25)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
1.	Long Term Bank Facilities	Long Term	29.56	IVR BB/Stable	-	-	-

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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Annexure 1: Instrument/Facility Details

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Term Loan	-	-	-	March 2031	16.16	IVR BB/Stable
Cash Credit	-	-	-	-	12.00	IVR BB/Stable
GECL	-	-	-	September 2027	1.40	IVR BB/Stable

Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-Khetan-Corru-Case-8oct24.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable

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.