



Press Release

Kalinga International

April 08, 2022

Ratings

Instrument/ Facility	Amount (Rs. crore)	Rating	Rating Action	Complexity Indicator
Long Term Bank Facilities	16.83	IVR D (IVR D)	Assigned	Simple
Long Term/Short Term Bank Facilities	0.17	IVR D (IVR D)	Assigned	Simple
Total	17.00 (INR Seventeen crores Only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Kalinga International (KI) reflects delays in debt servicing obligations by the company owing to liquidity issues. The rating is also constrained by weak financial profile and low coverage indicators, leveraged capital structure and presence in highly competitive Industry. However, the rating also considers the experience of promoters with established track record in the business.

Key Rating Sensitivities:

Upward Factors

- Regularization of delay for a period of 90 days on a continuous basis.

Downward Factors

- Not applicable



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters with established track record in business.

The company is partnered by Mr. Kul Bhushan Sethi and Mr. Rishi Sethi. They have long experience in running the business. The long-standing experience of the management also results in established relationship with customers resulting in repeat orders.

Key Rating Weaknesses

Delays in debt servicing

There have been instances of delay in debt servicing by Kalinga International owing to liquidity issues attributable to cashflow mismatches.

Weak Financial Profile and low coverage indicators

The financial profile of the company is constrained due to decline in the topline during the recent years. Also, the company has reported thin profitability margin over the years as its EBITDA margin and PAT margin stood at 2.07% and 0.35% respectively in FY21. Due to its weak profitability and depressed accruals, the coverage indicators of the company have also remained low as interest coverage ratio of the company stood at 1.19x, Total Debt/GCA was also on higher side at 45.37 years in FY21 (40.33 years in FY20).

Leveraged capital structure

The capital structure of the company remained leveraged with higher dependence on external borrowings marked by high overall gearing ratio over the past few years. While the overall gearing ratio remained high as it stood at 2.09x as on March 31, 2021, TOL/TNW also stood high at 4.82x in FY21.

Presence in highly competitive Industry

The company is engaged in trading of wire, cables, LED lights, switches, and switchgears etc. There are large number of players operating in the same line of business which makes it a very competitive market to operate.



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Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Trading Companies](#)

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

[Criteria on Default Recognition and Post-Default Curing Period](#)

Liquidity: Poor

The liquidity position of the company is expected to remain poor as the company is not expected to generate steady cash accruals as against its scheduled debt repayment obligation during FY22-24. The company is expected to earn Gross Cash Accruals (GCA) of Rs. 0.50 crore in FY22 as against its repayment obligation of Rs. 0.84 crore. Also, current ratio of company stood at 1.22x and quick ratio stood well below unity at 0.78x.

About the Company

Kalinga International is into trading of LED lights, electrical wires and cables and other electrical products. It is a partnership firm based out of New Delhi and is operated by Mr. Kul Bhushan Sethi and Mr. Rishi Sethi.

Financials (Standalone)

(Rs. crore)

For the year ended* / As On	31-03-2020	31-03-2021
	Audited	Audited
Total Operating Income	46.16	40.27
EBITDA	0.79	0.83
PAT	0.15	0.14
Total Debt	10.64	10.75
Tangible Net worth	6.24	5.42
EBITDA Margin (%)	0.79	0.83
PAT Margin (%)	0.15	0.14
Overall Gearing Ratio (x)	1.78	2.09
Interest Coverage Ratio (x)	1.16	1.19

**Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA: NIL

Any other information: NIL



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Rating History for last three years:

Sl. No.	Name of Instrument / Facilities	Current Rating (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Term Loans	Long Term	9.33	IVR D	-	-	-
2.	Cash Credit	Long Term	7.50	IVR D	-	-	-
3.	Unallocated Limits	Long Term/ Short Term	0.17	IVR D	-	-	-

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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

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

For more information visit www.infomerics.com



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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
IND GECLS- Covid-19	-	-	FY25	1.00	IVR D
IND -GECLS 1.0 (Extension)	-	-	FY27	1.14	IVR D
Term Loan	-	-	FY27	2.19	IVR D
Cash Credit	-	-	-	7.50	IVR D
Loan against property	-	-	FY33	5.00	IVR D
Unallocated Limits	-	-	-	0.17	IVR D

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-Kalinga-apr22.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: 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.