



Press Release

Kohinoor Ropes Private Limited (KRPL)

January 18, 2024

Ratings

| Facilities | Amount (Rs. Crore) | Ratings | Rating Action | Complexity Indicator |
|---|---|--|------------------|--|
| Long Term Fund Based Bank Facilities – Term Loan | 30.47 | IVR BBB/ Stable (IVR Triple B With Stable Outlook) | Assigned | Simple |
| Long Term Fund Based Bank Facilities – Cash Credit | 25.00 | IVR BBB/ Stable (IVR Triple B With Stable Outlook) | Assigned | Simple |
| Long Term Fund Based Bank Facilities – PCFC/ RPC | 4.00 | IVR BBB/ Stable (IVR Triple B With Stable Outlook) | Assigned | Simple |
| Short Term Non-Fund Bank Facilities - Performance Bank Guarantee | 1.00 | IVR A3+ (IVR A Three Plus) | Assigned | Simple |
| Short Term Non-Fund Bank Facilities - Loan Equivalent Risk | 1.00 | IVR A3+ (IVR A Three Plus) | Assigned | Simple |
| Short Term Non-Fund Bank Facilities - Letter of Credit | 3.50 | IVR A3+ (IVR A Three Plus) | Assigned | Simple |
| Total | 64.97 (Rupees Sixty-Four crore and Ninety-Seven Lakh only) | | | |

Details of Facilities are in Annexure 1



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Detailed Rationale

The ratings assigned to the bank facilities of Kohinoor Ropes Private Limited factors in the Experienced Management and established track record of operations with diversified product applications, Moderate Capital Structure and debt protection matrix, Moderate Revenue and Profitability with anticipated growth in FY24, Healthy relationship with customers coupled with diversified geographic presence.

The ratings, however, are constrained by Volatile raw material prices and exposure to foreign exchange fluctuation, High competition from un-organised players in HDPE/PP ropes segment.

Key Rating Sensitivities:

Upward Factors

- Substantial or sustained improvement in the scale of operations & Profitability leading to an improvement in the debt protection metrics and TOL/TNW below 1x.

Downward Factors

- Any Deterioration in the scale of operations, EBITDA margins due to industry or company specific factors, leading to a significant deterioration in the debt protection metrics and liquidity.

List of Key Rating Drivers with Detailed Description



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Key Rating Strengths

Experienced Management and established track record of operations with diversified product applications:

Kohinoor Ropes Private Limited was incorporated in the year 2015, originated in 1985 under the leadership of Mr. Baheti and family marking nearly four decades of operations in the business. The company has evolved under the leadership of the third generation, Mr Mahesh and Chetan Baheti who joined the business in 2012. The company Specializing in the production of High-Density Polyethylene Rope (HDPE) & Polypropylene Ropes (PP) ropes, as well as natural fiber ropes. Over the years, the promoters have increased production capacities, introduced value-added products, and expanded operational scale., company have diversified the product line to include not only various types of ropes for domestic use but also specialized ones such as transmission ropes, submersible ropes, mooring ropes, yachting ropes, safety ropes, and agriculture ropes. Furthermore, the business has expanded into the production of nets, including fishing nets and sports nets, with a particular focus on the export market. The company consistently engages in refining and expanding their product line, focusing on Trawl Netting, Cage Netting, Predator Nets, Gill Netting, Bird Netting, Crab Pot Netting, Cage Netting, and Purse Seine Netting. The products manufactured are sold across more than 20 countries across the globe to diverse industries like Shipping & Marine, Aquaculture, agriculture, and safety instruments. The company also holds contract with the reputed companies for the supply of safety nets and Ropes for all sites across India and overseas.

Moderate Capital Structure and debt protection matrix



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KRPL capital structure remained moderate as on March 31, 2023, marked by overall gearing at 2.05x as on March 31, 2023 against 1.85x as on March 31, 2022. The total indebtedness of the company as reflected by TOL/TNW increased from 2.17x as on March 31, 2022, to 2.50x as on March 31, 2023. The Increase was mainly due to capex taken over by the company worth of Rs.50 crore directed towards aquaculture development, for the netting aspect of aquaculture and fisheries sector. This comprehensive investment has been implemented at both the Jalna and Selu units. Kohinoor Ropes has successfully increased its netting capacity by almost 67%, growing from 150 MTs per month (1800 MTs/pa) to 250 MTs per month (3000 MTs/pa). The Capex has been successfully completed, marking the initiation of production since September 2023. Dispatches for the aquaculture segment from the Jalna unit have commenced, and the achievement of Cash on Delivery (COD) status has been realized since September 2023. The interest coverage ratio and DSCR have been comfortable over the last three years and stood at 4.46x and 1.63x respectively in FY23 as against 4.94x and 1.67x in FY22. The promoters have infused unsecured loans of Rs.7.79 crores which is being treated as Quasi Equity in FY23.

Moderate Revenue and Profitability with Anticipated Financial Growth in FY24.

The Company's total operating income stood at Rs.201.51 crore in FY23. The Company has earned EBIDTA of 17.25 Crores in FY23 against Rs 16.41 Crores in FY22, with a static number in absolute value of EBITDA, the company has earned EBITDA margin of 8.56% in FY23 against 8.91% in FY22. With stability in EBIDTA margin the company PAT margin stood at 3.27% in FY23.

The fiscal year 2024 is expected to witness an improvement in the company's financial performance. In the fiscal year 2024 (YTD Nov 2023) , the company has observed improved realizations, the company has, registered EBITDA of INR 18.04 Crore (YTD Nov 2022: Rs.8.96 Crore), notably the EBIDTA has improved with EBIDTA margin of 13.74% when compared to 6.63% in YTD Nov 2022, due to capex undertaken by the company, particularly in the aquaculture sector and PBT amounted to Rs.6.54 Crore (Rs.2.85 Crore), PAT amounted to Rs.4.80 Crore (Rs.2.05 Crore) with PAT margin of 3.66% when compared to 2.11% in YTD Nov 2022. The company's entry into this new segment is anticipated to yield enhanced margins which has also reflected during YTD Nov 2023. The financial performance of the



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company for the year-to-date periods ending November 2023 exhibits positive trends, with notable improvements in EBITDA, PBT, and PAT, indicating enhanced operational efficiency and profitability. And the Company has achieved total revenues of Rs.151.33 Crores for Q3FY24 (YTD Dec 2023).

Notably, aquaculture, being a technical product, has only 2 to 4 suppliers in India. The company strategically undertook capex in this sector, focusing on high-value products with substantial margins. Also, the introduction of the HMP rope, positioned to replace steel wire, further contributing to the company's market presence and product offerings.

Healthy relationship with customers coupled with diversified geographic presence.

Aided by the promoters' experience, the company has fostered healthy relations with its customers and suppliers, thereby, facilitating regular and repeat orders. Further, the company has a diversified geographical presence and caters to the global markets of Italy, UAE, France, Russia, UK, USA, Greece, any many other foreign countries.

Key Rating Constraints

Volatile raw material prices and exposure to foreign exchange fluctuation & Macro economic factors:

HDPE/PP granules being Petro-chemical based products, its prices are linked to the international crude prices and hence subject to volatility. The company purchases this key material majorly from Reliance Industries Limited (RIL) at market-linked rates, exposing it to fluctuations in the raw material prices. However, due to a strong presence in the domestic and international markets, the company is able to pass on the increase in the price of raw materials to its customers. And as the company is involved in export and import of products. This export and import-oriented nature exposes KRPL to regulatory risk arising from changes in other countries' procurement policies and forex fluctuation risk; however, the forex exposure is almost hedged limiting the forex risk.

High competition from un-organised players in HDPE/PP ropes segment:

Domestic cordage industry is largely dominated by players operating in the unorganised sector, posing stiff competition to the organised players in the market. However, company was able to maintain its presence in the global markets with exports of superior quality products.



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Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria of assigning Rating Outlook](#)

Liquidity: Adequate

The company is earning comfortable levels of GCA and the same is expected to increase with increased income levels and profitability. The liquidity position of the company was adequate with GCA of Rs.11.38 crore in FY23. This indicates adequate degree of liquidity of the company in meeting its obligations. Company has current ratio of 1.21x as on 31 March 2023. Additionally, the company has cash and cash equivalents of Rs.0.76 Crore as on 31st March 2023. The working capital utilisation of the company stands at 95.55% for the past 12 months period ended November 2023. Operating Cycle remained stable to 58 days as on 31 Mar 2023 (March 31st, 2022; 58 days).

About the Company

Kohinoor Ropes Private Limited, incorporated in 2015 in Parbhani, Maharashtra, is a private company that originated in 1985 under the leadership of Mr. Baheti marking nearly four decades of operations. The company has gradually evolved under the leadership of the third



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generation, Mr Mahesh and Chetan Baheti who joined the business in 2012. Specializing in the production of HDPE & PP ropes, as well as natural fiber ropes, the company established its manufacturing operations in Selu and Jalna, Maharashtra. Over the years, the company have diversified the product line to include not only various types of ropes for domestic use but also specialized ones such as transmission ropes, submersible ropes, mooring ropes, yachting ropes, safety ropes, and agriculture ropes. Furthermore, the business has expanded into the production of nets, including fishing nets and sports nets, with a particular focus on the export market. The company have two manufacturing unit in Jalna and Selu, Maharashtra with total installed capacity of 11220 tons.

Financials (Standalone):

INR in Crores

| For the year ended* / As on | 31-03-2022 | 31-03-2023 |
|-----------------------------|----------------|----------------|
| | Audited | Audited |
| Total Operating Income | 184.24 | 201.51 |
| EBITDA | 16.41 | 17.25 |
| PAT | 5.86 | 6.61 |
| Total Debt | 42.25 | 59.92 |
| Tangible Net worth | 22.80 | 29.24 |
| EBIDTA Margin (%) | 8.91 | 8.56 |
| PAT Margin (%) | 3.18 | 3.27 |
| Overall Gearing ratio (X) | 1.85 | 2.05 |

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Nil

Any other information: N.A.

Rating History for last 3 years:

| Sr. No. | Name of Facilities | Current Ratings (Year 2023-24) | | | Rating History for the past 3 years | | |
|---------|--------------------|--------------------------------|--------------------------------|-----------------|---|---|---|
| | | Type | Amount outstanding (Rs. Crore) | Rating | Date(s) & Rating(s) assigned in 2022-23 | Date(s) & Rating(s) assigned in 2021-22 | Date(s) & Rating(s) assigned in 2020-21 |
| 1. | Term Loan | Long Term | 30.47 | IVR BBB/ Stable | - | - | - |



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| Sr. No. | Name of Facilities | Current Ratings (Year 2023-24) | | | Rating History for the past 3 years | | |
|---------|----------------------------|--------------------------------|--------------------------------|-----------------|---|---|---|
| | | Type | Amount outstanding (Rs. Crore) | Rating | Date(s) & Rating(s) assigned in 2022-23 | Date(s) & Rating(s) assigned in 2021-22 | Date(s) & Rating(s) assigned in 2020-21 |
| 2. | Cash Credit | Long Term | 25.00 | IVR BBB/ Stable | - | - | - |
| 3. | PCFC/ RPC | Long Term | 4.00 | IVR BBB/ Stable | - | - | - |
| 4. | Performance Bank Guarantee | Short Term | 1.00 | IVR A3+ | - | - | - |
| 5. | Loan Equivalent Risk | Short Term | 1.00 | IVR A3+ | - | - | - |
| 6. | Letter of Credit | Short Term | 3.50 | IVR A3+ | - | - | - |

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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.



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

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Annexure 1: Details of Facilities

| S. No. | Name of Facility | Date of Issuance | Coupon Rate/ IRR | Maturity Date | Size of Facility (Rs Cr.) | Rating Assigned/ Outlook |
|--------|---------------------------------|------------------|------------------|---------------|---------------------------|--------------------------|
| 1 | Term Loan | - | - | Upto 2027 | 30.47 | IVR BBB/ Stable |
| 2 | Cash Credit (CC) | - | - | Revolving | 25.00 | IVR BBB/ Stable |
| 3 | PCFC/ RPC | - | - | Revolving | 4.00 | IVR BBB/ Stable |
| 4 | Performance Bank Guarantee (BG) | - | - | Revolving | 1.00 | IVR A3+ |
| 5 | Loan Equivalent Risk (LQR) | - | - | Revolving | 1.00 | IVR A3+ |
| 6 | Letter of Credit (LC) | - | - | Revolving | 3.50 | IVR A3+ |

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

Annexure 3: Facility wise lender details



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<https://www.infomerics.com/admin/prfiles/len-Kohinoor-Ropes-jan24.pdf>

Annexure 4: Detailed explanation of covenants of the rated 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.

