



Press Release

Kritika Wires Limited

February 14, 2023

Ratings

Instrument / Facility	Amount (Rs. Crore)	Current Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	41.50	IVR BBB-/ Stable (IVR triple B minus with Stable outlook)	Reaffirmed	Simple
Short Term Bank Facilities	43.50 (enhanced from Rs. 33.50 crore and includes proposed short term facility of Rs. 10.00 crore)	IVR A3 (IVR A three)	Reaffirmed	Simple
Total	85.00 (INR eighty five crore only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The reaffirmation of the ratings assigned to the bank facilities of Kritika Wires Limited (KWL) derives comfort from its experienced promoters, improvement in financial performance during FY22 and H1FY2023 (unaudited), reputed clientele, satisfactory gearing with moderate debt protection metrics and favourable industry outlook. However, these rating strengths are partially offset by intense competition, thin profit margin and elongated working capital cycle.

Key Rating Sensitivities:

Upward factors

- Continuous inflow of orders with improvement in scale of operations, profitability and cash accruals.
- Improvement in the working capital cycle via further improvement in collection period.

Downward factors

- Moderation in the scale of operations and/or deterioration in profit margin impacting the liquidity and debt coverage indicators.
- Deterioration in the capital structure.



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- Deterioration in working capital cycle through further elongation in collection period.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters

KWL is promoted by Kolkata based Mr. Naresh Kumar Agarwal and Mr. Hanuman Prasad Agarwal who have an experience of over a decade in the wires and cable industry. They are actively involved in managing the day-to-day operations of the company along with the support of other Directors who also have adequate experience in the sector. They are supported by a team of qualified and experienced professionals.

Improvement in financial performance during FY22 and H1FY2023

The topline of the company increased to Rs. 244.39 crore in FY22 as against Rs. 137.24 crore in FY21, depicting a y-o-y increase of ~77% on the back of increase in sales of wires, driven by improvement in economic and operating environment. Consequently, the profits and cash accruals of the company also improved significantly in FY22. EBITDA and PAT increased to Rs. 8.55 crore and Rs. 3.43 crore, respectively in FY2022 up 70.56% and 337.97% y-o-y from Rs. 5.01 crore and Rs. 0.78 crore respectively in FY2021. Also, the company achieved a topline of Rs.127.01 crore in H1FY23 as against a topline of Rs. 108.35 crore in H1FY22, registering a y-o-y increase of ~17%. Consequently, EBITDA increased to Rs. 2.78 crore from Rs.0.83 crore in H1FY22. PAT improved to Rs.2.12 crore in H1FY23 from Rs. 0.51 crore in H1FY22.

Reputed clientele

The company's customer base consists of reputed Government companies and large private companies engaged in manufacturing of cables and conductors and electrification business as evident from the order book of the company. The repeat orders received from its clientele validates its capabilities. Though KWL has low bargaining power with its customers, its clientele base has sound credit risk profile, which does reduce the counter party payment risk to a certain extent.

Satisfactory gearing with moderate debt protection metrics



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The capital structure remained comfortable with minimal long-term debt and a decline in working capital borrowing coupled with an increase in networth as on March 31, 2022. The company's long term debt equity ratio was low at 0.09x and overall gearing ratio was 0.31x as on March 31, 2022. The debt protection parameters were comfortable due to increase in profit in FY22. In FY22, interest coverage ratio was 3.08x (1.66x in FY21) and total debt to GCA was 3.81x (9.67x in FY21).

Favorable outlook of cable/conductors (the end consumer) and wires in India

The outlook for cable/conductors is favourable on account of continuous increase in government's focus to increase power generation capacity in the country along with reduction in Transmission and Distribution (T&D) losses and thrust on rural electrification.

Key Rating Weaknesses

Exposure to intense competition; leading to range-bound margins

The industry is characterized by high fragmentation with a large number of unorganised players, constraining the pricing power of organised sector players. Apart from the unorganized sector, KWL also faces competition from the organized sector players.

Thin profit margin

The company's profit margin remains thin due to its low value addition nature of work along with intense competition. EBITDA margins have been declining continuously for the three years and now stood at 3.50% in FY22 compared with 7.08% in FY19. A sustained increase in profit margins will be a key rating factor going forward.

Elongated working capital cycle

The working capital cycle of KWL continues to remain high, largely on account of elongated payment cycle whereby money is normally realised from the debtors in ~90 days. However, the average collection period improved in FY22 to 84 days from 148 days in FY21 due to improved market conditions and recovery in operating environment. Despite the company's operating cycle moderating to 95 days in FY22 from 161 days in FY21, the same continues to remain at elevated levels.

Analytical Approach: Standalone



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Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria of assigning rating outlook](#)

Liquidity - Adequate

The liquidity of the company is expected to remain adequate in the near to medium term marked by its sufficient accruals vis-à-vis insignificant debt repayment obligations. The overall gearing stood at 0.31x as on March 31, 2022, indicating a sufficient gearing headroom. The average working capital limit utilisation also remained satisfactory at ~60% during the past twelve months ended September 30, 2022, indicating an adequate liquidity buffer.

About the Company

Incorporated in 2004, Kritika Wires Limited (KWL; formerly known as Kritika Wires Private Limited) is a part of West Bengal based 'Jai Hanuman Group' and is engaged in manufacturing of all types of steel wire and galvanized wire. KWL got listed in the SME platform of the National Stock Exchange on October, 2018. The manufacturing facility of the company is situated in Sankrail Industrial Park, Howrah, West Bengal with a total installed capacity of 66,200 MTPA. KWL primarily caters to Government entities including State Electricity Boards, Power Grid Corporation of India Limited as well as large private players. The company has ISO 9001:2015, ISO 14001:2015 and OHSAS 18001:2007 certifications.

Financials (Standalone):

(Rs. crore)

For the year ended* / As On	31-03-2021	31-03-2022	H1FY2022	H1FY2023
	Audited	Audited	Unaudited	Unaudited
Total Operating Income	137.24	244.39	108.35	127.01
EBITDA	5.01	8.55	0.83	2.78
PAT	0.85	3.43	0.51	2.12
Total Debt	31.11	21.27	-	-
Tangible Net worth	64.83	68.98	-	-
EBITDA Margin (%)	3.65	3.50	0.76	2.19
PAT Margin (%)	0.56	1.40	0.46	1.64



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For the year ended* / As On	31-03-2021	31-03-2022	H1FY2022	H1FY2023
	Audited	Audited	Unaudited	Unaudited
Overall Gearing Ratio (x)	0.48	0.31	-	-

*As per Infomerics' Standards

Status of non-cooperation with previous CRA:

Acuite Ratings continued to keep the rating of KWL in the Issuer Non-Cooperating category as the company did not co-operate in the rating procedure despite repeated follow ups as per the Press Release dated November 22, 2022.

Any other information: Nil

Rating History for last three years with Infomerics:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2022-23)					Rating History for the past 3 years			
		Type	Amount outstanding (Rs. Crore)	Rating	(Nov 2, 2022)	Rating (April 15, 2022)	Date(s) & Rating(s) assigned in 2021-22 (Jan 19, 2022)	Date(s) & Rating(s) assigned in 2020-21 (Oct 21, 2020)	Date(s) & Rating(s) assigned in 2019-20	
1.	Cash Credit	Long Term	22.50	IVR BBB-/ Stable	IVR BBB-/ Stable	IVR BBB-under Credit Watch with Developing Implications	IVR BBB-under Credit Watch with Developing Implications	IVR BBB-under Credit Watch with Developing Implications	-	
2.	Overdraft	Long Term	19.00	IVR BBB-/ Stable	-	-	-	-	-	
2.	Bank Guarantee	Short Term	10.00	IVR A3	IVR A3	IVR A3 under Credit Watch with Developing Implications	IVR A3 under Credit Watch with Developing Implications	IVR A3 under Credit Watch with Developing Implications	-	
3.	Letter of Credit	Short Term	23.50	IVR A3	IVR A3	IVR A3 under Credit Watch with Developing Implications	IVR A3 under Credit Watch with Developing Implications	IVR A3 under Credit Watch with Developing Implications	-	
4.	Proposed Letter of Credit	Short Term	10.00	IVR A3	-	-	-	-	-	



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4.	Forward Contract Facility	-	-	-	-	-	-	IVR A3 under Credit Watch with Developing Implications	-
5.	Bill Discounting	-	-	-	-	-	-	IVR A3 under Credit Watch with Developing Implications	-

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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.



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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	22.50	IVR BBB-/ Stable
Overdraft	-	-	-	19.00	IVR BBB-/ Stable
Bank Guarantee-1	-	-	-	5.50	IVR A3
Bank Guarantee-2	-	-	-	4.50	IVR A3
Letter of Credit-1	-	-	-	15.00	IVR A3
Letter of Credit-2	-	-	-	8.50	IVR A3
Proposed Letter of Credit	-	-	-	10.00	IVR A3

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

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Len-KritikaWires-feb23.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



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