



Press Release

Kritika Wires Limited

March 27, 2024

Ratings

Instrument / Facility	Amount (Rs. Crore)	Current Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	56.50 (enhanced from 41.50)	IVR BBB/ Stable (IVR triple B with Stable outlook)	Upgraded from IVR BBB-/ Stable (IVR triple B minus with Stable outlook) and assigned	Simple
Short Term Bank Facilities	48.08 (enhanced from 43.50)	IVR A3+ (IVR A three plus)	Upgraded from IVR A3 (IVR A three) and assigned	Simple
Total	104.58 (One hundred four crore and fifty eight lakh only)			

Details of Facilities are in Annexure 1

Detailed Rationale

Infomerics has upgraded and assigned the ratings to the bank facilities of Kritika Wires Limited (KWL) on the back of improvement in financial performance in FY2023 and 9MFY2024 (unaudited). Further, the rating derives comfort from its experienced promoters, reputed clientele, moderate capital structure and adequate coverage indicators and favorable outlook of cable/conductors (the end consumer) and wires in India. However, these rating strengths are partially offset by exposure to intense competition; leading to range-bound margins, thin profit margin, 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.



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

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Improvement in financial performance during FY23 and 9MFY2024 (unaudited)

Total operating income increased substantially by ~16% y-o-y in FY2023 to Rs. 284.90 crore on the back of driven by rise in sales volume coupled with increase in average sales realization during FY23 and 9MFY2024 (unaudited) supported by the Revamped Distribution Sector Scheme (RDSS) taken by the Government of India to reduce the Aggregate Technical & Commercial (AT&C) losses to pan-India levels. Consequently, EBITDA and PAT increased to Rs. 11.32 crore and Rs. 5.99 crore, respectively in FY2023 up 16.17% and 48.67% y-o-y from Rs. 9.7 crore and Rs. 4.03 crore respectively in FY2022. GCA increased 30% y-o-y to Rs. 8.02 crore in FY2023. Further, the company achieved a revenue of Rs.298.27 crore in the 9MFY24, up 57.34% y-o-y. EBITDA increased by 56.97% y-o-y to Rs. 11.82 crore and PAT increased by 66.87% to Rs. 5.34 crore in 9MFY2024 (unaudited). Infomerics expects topline and profit to grow going forward given the strong demand for wires and cables in the industry.

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.

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



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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.

Moderate capital structure and adequate coverage indicators

The company's debt profile comprises mainly of working capital borrowings from banks, term loan and minimal amount of unsecured loans. As of March 31, 2023, net worth of the company stood at Rs. 73.93 crore, compared with Rs.68.98 crore as on March 31, 2022. Total debt was Rs. 22.01 crore as of March 31, 2023, compared with Rs. 21.27 crore as on March 31, 2022. Thus capital structure remained comfortable with long term debt equity ratio of 0.05x (compared with 0.09 times as on March 31, 2022) and overall gearing ratio of 0.30x as on March 31, 2023, almost in line with 0.31x as on March 31, 2022. The debt protection parameters were comfortable in FY23 with interest coverage ratio of 3.57x (3.51x in FY22) and debt service coverage of 2.56x (2.83x in FY22). Total debt to GCA improved to 2.75x in FY23 (3.44x in FY22), due to an increase in GCA. Going forward the capital structure is expected to remain comfortable as the company has no capex plans and there is no likely substantial increment in working capital requirement.

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. Thus despite an increase in absolute EBITDA in FY 23 to Rs. 11.32 crore from Rs. 9.74 crore in FY22 and Rs. 5.40 crore in FY21, EBITDA margins remained stagnant at 3.97% in FY22 as well as FY23. Thus operating margin remains constrained mainly on account of execution of high-volume low margin contracts under intense competition in the sector.



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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 were 3.93% in FY21 and 3.97% in FY22 as well as FY23. 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 FY23 to 78 days from 95 days in FY22 due to improved market conditions. Despite the company's operating cycle moderating to 78 days in FY23 from 95 days in FY22, the same continues to remain at elevated levels.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria of assigning rating outlook](#)

[Default Recognition Policy](#)

Liquidity - Adequate

The liquidity position of the company is expected to remain adequate in the near to medium term with sufficient accruals and to meet the term debt repayment in the period FY24-FY26. The average fund based utilisation for the past twelve months ended February, 2024 remained low at ~12% indicating a sufficient cushion. With an overall gearing of 0.30x as on March 31, 2023, the company has some headroom, to raise additional debt for its funding requirements. Absence of any debt funded capex provides further comfort to the liquidity position.

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



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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	31-03-2022	31-03-2023	9M FY2023	9M FY2024
	Audited	Audited	Unaudited	Unaudited
Total Operating Income	245.59	284.90	189.57	298.27
EBITDA	9.74	11.32	7.53	11.82
PAT	4.03	5.99	3.20	5.34
Total Debt	21.27	22.01	-	-
Tangible Net worth	68.98	73.93	-	-
EBITDA Margin (%)	3.97	3.97	3.97	3.96
PAT Margin (%)	1.63	2.09	1.69	1.79
Overall Gearing Ratio (x)	0.31	0.30	-	-

*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 as per the Press Release dated February 2, 2024.

Any other information: Nil

Rating History for last three years with Infomerics:

Sr. No.	Name of Instrument/Facilities	Current Rating (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 (Jan 19, 2022)	Date(s) & Rating(s) assigned in 2020-21 (Oct 21, 2020)	
					(Feb 14, 2023)	(Nov 2, 2022)	(Apr 15, 2022)			
1.	Cash Credit	Long Term	56.50	IVR BBB/Stable	IVR BBB-/Stable	IVR BBB-/Stable	IVR BBB-under Credit Watch	IVR BBB-under Credit Watch with	IVR BBB-under Credit Watch with	



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					(Feb 14, 2023)	(Nov 2, 2022)	(Apr 15, 2022)			
							with Developing Implications	Developing Implications	Developing Implications	
2.	Overdraft	Long Term	-	-	IVR BBB-/ Stable	-	-	-	-	
2.	Bank Guarantee	Short Term	9.08	IVR A3+	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	34.00	IVR A3+	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	-	-	IVR A3	-	-	-	-	
4.	Forward Contract Facility	Short Term	-	-	-	-	-	-	IVR A3 under Credit Watch with Developing Implications	
5.	Bill Discounting	Short Term	-	-	-	-	-	-	IVR A3 under Credit Watch with Developing Implications	
6.	Channel Finance	Short Term	5.00	IVR A3+	-	-	-	-	-	



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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.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.



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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 1	-	-	-	21.50*	IVR BBB/ Stable
Cash Credit 2	-	-	-	30.00**	IVR BBB/ Stable
Cash Credit 3	-	-	-	5.00	IVR BBB/ Stable
Bank Guarantee 1	-	-	-	1.58	IVR A3+
Bank Guarantee 2	-	-	-	5.00	IVR A3+
Bank Guarantee 3	-	-	-	2.50	IVR A3+
Letter of Credit 1	-	-	-	8.50	IVR A3+
Letter of Credit 2	-	-	-	14.50***	IVR A3+
Letter of Credit 3	-	-	-	11.00****	IVR A3+
Channel Finance	-	-	-	5.00	IVR A3+

*interchangeable with WCDL

**WCDL of Rs. 24 crore and Export credit facilities of Rs. 6.50 crore are sublimit

***SBLC of Rs. 14.50 crore and BG of Rs. 8.50 crore are sublimit

****BG of Rs. 10.00 crore is interchangeable

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-mar24.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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