



Press Release

Kandui Industries Private Limited (KIPL)

September 4, 2023

Ratings

Instrument Facility /	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facility	59.61 (Increased from 32.92)	IVR BBB/ Stable (IVR triple B with Stable outlook)	Reaffirmed	Simple
Short Term Bank Facility	24.25 (Increased from 16.00)	IVR A3+ (IVR A three plus)	Reaffirmed	Simple
Total	83.86 (INR Eighty three crores and eighty six lacs only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The reaffirmation of the ratings assigned to the bank facilities of Kandui Industries Private Limited (KIPL) continue to derive strength from the experience of its promoters in the industry, moderate capital structure of the company in FY23 and geographical diversification of the company. The ratings are, however, constrained by KIPL's working capital intensive nature of its operations, exposure to intense competition and susceptibility to fluctuations in raw material price and decline of profit margins of the company in FY23.

Key Rating Sensitivities:

Upward Factors

- Substantial and sustained improvement in revenue and profitability margins while maintaining the debt protection metrics may lead to a positive rating action.

Downward Factors

- Any decline in scale of operations and/or moderation in profitability leading to decline in the debt protection metrics
- Withdrawal of subordinated unsubordinated loans/any unplanned capex impacting the capital structure



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced promoters**

KIPL is led by Mr. Ashwinkumar Poonamchand Agarwal (managing director of the company) and his eminent team of directors and managers who have a relevant industry experience of 20 plus years. KIPL has established track record of more than 12 years in plastic and polymer industry as manufacturer of masterbatches. The promoters have a good understanding of business dynamics, and are able to identify price trends and maintain quality. This is well-reflected in the steady operating margin and strong relationships with reputed clientele across sectors.

- **Moderate capital structure of the company in FY23**

KIPL's capital structure continue to remain moderate in FY23. The capital structure of the company includes subordinated unsecured loan amounting to Rs. 19.44 crore. The promoters have infused fresh subordinated unsecured loans aggregating to Rs. 10.80 crore during FY23. Tangible net worth including quasi equity of the company stood at Rs.69.51 crore as on March 31, 2023. The Company's overall gearing ratio on tangible net worth including quasi equity improved and stood at 0.59x as on March 31st 2023 compared to 0.63x as on March 31st 2022. KIPL's TOL/TNW (including quasi equity) stood at 0.94x as on March 31st 2023 compared to 1.17x as March 31st 2022. Company's interest coverage ratio stood at 3.56x in FY23. Company's DSCR stood comfortably at 2.27x in FY23.

- **Geographical diversification**

The strategic location of the manufacturing plant in Daman, allows KIPL to cater to both domestic as well as export market. This grants KIPL easy access to the market, marking its presence PAN India. The company's presence in the exports market stood at ~6% during FY23; albeit on a low base. The major exporting countries of KIPL includes, Abidjan, Africa, Kenya etc. The geographic diversification of KIPL insulates the company against any economic downturn or any geo-political uncertainties of any particular region.



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Key Rating Weaknesses

- **Working capital intensive nature of operations**

Operations are working capital intensive, as reflected in gross current assets of ~88 days, driven by receivables of 70 days, as on March 31, 2023 as the company extends credit period of around 45 – 60 days to its customers. The company maintains inventory of 1-2 months as indicated by inventory days of 49 days as on March 31, 2023. Going forward, operations are expected to remain working capital intensive.

- **Exposure to intense competition & Susceptibility to fluctuations in raw material price**

More than half of the overall masterbatches segment comprises the unorganised sector. Although organised players such as the Kandui Industries offer superior quality products, local players are able to cater to regional customers with ease. In addition, profitability is contingent upon product mix. Intense competition may continue to constrain scalability, pricing power and profitability.

- **Decline in profit margins of the company in FY23**

Company's EBITDA margin stood low even after marginal improvement in sales due to increase in raw material prices which led to increase of cost of production, adverse foreign currency fluctuations and volatility of crude oil prices. Company's EBITDA margin reduced and stood at 4.81% in FY23 compared to 6.80% in FY22. PBT margin and PAT margin reduced to 2.02% and 1.37% respectively in FY23 compared to 4.23% and 2.95% respectively in FY22.

Analytical Approach: Standalone

Applicable Criteria:

[Criteria for assigning outlook](#)

[Rating Methodology for manufacturing companies](#)

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



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Liquidity – Adequate

The liquidity position of the company is adequate on account of the fact that the expected gross cash accruals of the company are likely to remain favourable relative to its debt-servicing obligations during FY24-FY26. Further, company has reported current ratio at 1.73x as on March 31, 2023. KIPL's average working capital utilization for twelve months ended June 2023 stands satisfactory at 61.41%. KIPL has cash and bank balance of Rs. 0.08 crore as on March 31st 2023.

About the Company

Kandui Industries Private Limited (KIPL), based in Daman, was incorporated on February 03, 2010. Mr. Ashwinkumar Agarwal is the promoter of the company having experience of more than 15 years in production management. KIPL manufactures master batches that are used in the plastic and polyester industries for adding colour shades to the final product

Financials (Standalone):

Rs in Crore

For the Year ended*/As on	31-March-22 (Audited)	31-March-23 (Provisional)
Total Operating Income	277.49	292.27
EBITDA	18.88	14.05
PAT	8.20	4.01
Total Debt	34.67	40.80
Tangible Net Worth (including quasi equity)	54.70	69.51
EBITDA Margin (%)	6.80	4.81
PAT Margin (%)	2.95	1.37
Overall Gearing ratio(X)	0.63	0.59

*** Classifications as per Infomerics standards**

Status of non-cooperation with previous CRA: India ratings vide its press release dated 17th November 2022 continue the rating under Issuer Not Cooperating category

Any other information: N.A.



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Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 (July 4, 2022)	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Cash Credit	Long Term	35.00	IVR BBB/Stable	IVR BBB/Stable	-	-
2.	Term Loans	Long Term	16.14	IVR BBB/Stable	IVR BBB/Stable	-	-
3.	BGECLS	Long Term	8.47	IVR BBB/Stable	-		
4.	Foreign bills purchased	Short Term	4.00	IVR A3+	IVR A3+		
5.	Letter of Credit	Short Term	20.00	IVR A3+	IVR A3+		
6.	Bank Guarantee	Short Term	0.25	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).

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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	-	-	Revolving	35.00	IVR BBB-/ Stable
Term Loans	-	-	5 years	16.14	IVR BBB/ Stable
BGECLS	-	-	3 years	8.47	IVR BBB/ Stable
Foreign bills purchased	-	-	-	4.00	IVR A3+
Letter of Credit	-	-	-	20.00	IVR A3+



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Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Bank Guarantee	-	-	-	0.25	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-kandui-sep23.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.