



## Press Release

**Kritika Wires Limited**

**January 19, 2022**

### Ratings

Instrument / Facility	Amount (Rs. Crore)	Current Ratings	Rating Action	Complexity Indicator (Simple / High / Complex)
Long Term Bank Facilities	41.50	IVR BBB- under Credit Watch with Developing Implications (IVR triple B minus under credit watch with developing implications)	Reaffirmed	Simple
Short Term Bank Facilities	33.50 (reduced from 53.60)	IVR A3 under Credit Watch with Developing Implications (IVR A three under credit watch with developing implications)	Reaffirmed	Simple
<b>Total</b>	<b>75.00</b> <b>(Seventy five crores only)</b>			

**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, reputed clientele, satisfactory gearing with moderate debt protection metrics and favourable industry outlook. However, these rating strengths are partially offset by intense competition leading to its range bound margins, deterioration in the financial performance during FY21 and elongated receivable period.

The ratings continue to remain under credit watch with developing implications owing to continued uncertainty in the operating scenario and Infomerics will continue to monitor the developments in this regard and will take a view on the ratings once the exact implications of the above on the credit risk profile of the company are clear.



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### **Key Rating Sensitivities:**

#### **Upward factors**

- Continuous inflow of orders with improvement in scale of operations, profitability and cash accruals.
- Improvement in the capital structure and debt protection metrics.
- Improvement in the average collection period with improvement in liquidity.

#### **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**

##### **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 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. The top ten customers comprise of ~60% of the sales in FY21 indicating a moderately diversified customer base.



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### **Satisfactory gearing with moderate debt protection metrics**

The capital structure remained comfortable with minimal long-term debt marked by long term debt equity ratio of 0.10x and overall gearing ratio of 0.48x as on March 31, 2021. The debt protection parameters were comfortable in FY21 with interest coverage ratio at 2.72x (2.63x in FY20) and total debt to GCA at 1.06x (1.09x in FY20).

### **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**

#### **Deterioration in the financial performance during FY21**

The topline of the company declined to Rs. 137.34 crore in FY2021 as against Rs. 175.31 crore in FY2020, depicting a y-o-y decline of ~22% on the back of disruptions witnessed in the business due to lockdown during the major part of Q1 FY2022 owing to the ongoing Covid-19 pandemic. Consequently, the profits and cash accruals of the company also declined significantly in FY2021 in comparison to the previous year. However, the company achieved a topline of ~Rs. 108 crore in H1 FY2022 as against a topline of ~Rs. 55 crore in H1 FY2021, registering a significant y-o-y improvement. Infomerics expects the company to achieve a significant improvement in the topline and profits in FY2021 in comparison to FY2020; however, the sustainability of the same remains to be seen.

#### **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. The EBITDA margins have remained range-bound between 5.5-7% over the last few years given the intense competition and fragmentation in the industry.

#### **Elongated receivable period**

The receivable cycle of KWL remained high, largely on account of elongated payment cycle whereby money is normally realised from the debtors in 90 days. However, the average



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collection period deteriorated in FY21 due to weak market conditions and lock down due to COVID19. But since all the receivables of the company are from dominant reputed clients, the debtor's profile of the company is satisfactory. The operating cycle continued to remain high at 161 days in FY21 (136 days in FY20). The average working capital limit utilisation remained moderate at ~66% during the past twelve months ended October 31, 2021.

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Rating Methodology for Manufacturing Companies](#)

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

### **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 0.48x as on March 31, 2021 indicating a sufficient gearing headroom. The average working capital limit utilisation also remained satisfactory at ~65% during the past twelve months ended October 31, 2021 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.



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### Financials (Standalone):

(Rs. crore)

For the year ended* / As On	31-03-2020	31-03-2021
	Audited	Audited
Total Operating Income	175.31	137.34
Total Income	177.71	138.32
EBITDA	8.37	5.18
PAT	1.50	0.85
Total Debt	30.17	31.11
Tangible Net worth	63.98	64.83
EBITDA Margin (%)	4.77	3.77
PAT Margin (%)	1.07	0.80
Overall Gearing Ratio (x)	0.47	0.48

\*As per Infomerics' Standard

### Status of non-cooperation with previous CRA:

Acuite Ratings has moved the rating of KWL into 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 August 24, 2021.

Any other information: Nil

### Rating History for last three years with Infomerics:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21 (Oct 20, 2021)	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Cash Credit	Long Term	41.50	IVR BBB-under Credit Watch with Developing Implications	IVR BBB-under Credit Watch with Developing Implications	-	-
2.	Bank Guarantee	Short Term	10.00	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 under Credit Watch with Developing Implications	IVR A3 under Credit Watch with Developing Implications	-	-
4.	Forward Contract Facility	Short Term	-	-	IVR A3 under Credit	-	-



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					Watch with Developing Implications		
5.	Bill Discounting	Short Term	-	-	IVR A3 under Credit Watch with Developing Implications	-	-

**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](http://www.infomerics.com).

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### About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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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.

### 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	-	-	-	41.50	IVR BBB- under Credit Watch with Developing Implications
Bank Guarantee	-	-	-	10.00	IVR A3 under Credit Watch with Developing Implications
Letter of Credit	-	-	-	23.50	IVR A3 under Credit Watch with Developing Implications

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

**Annexure 3: Facility wise lender details**

<https://www.infomerics.com/admin/prfiles/Kritika-wires-lenders-jan22.pdf>

**Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable**

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