



Rating Rationale

Keaa International Pvt. Ltd.

13 November 2017

Brickwork Ratings assigns ratings for the bank loan facilities of Keaa International Pvt. Ltd.

Particulars

Facility Rated	Current Rated Amount (Rs. Crs)	Tenure	Rating
<u>Fund Based</u>			
Term Loan	0.30	Long Term	BWR BB (Pronounced as BWR Double B) Outlook : Stable
Cash Credit	11.50		
<u>Fund Based</u>			
EPC/PCFC (<i>within CC Limit</i>)	(11.50)	Short Term	BWR A4 (Pronounced as BWR A Four)
LC (<i>within CC Limit</i>)	(6.00)		
SLC	0.85		
<u>Non-fund Based</u>		Short Term	
Forward contract Risk	0.60		
LC & Bank Guarantee	2.50		
Letter of comfort	2.00		
Total	Rs 17.75 Crores (INR Seventeen Crore and Seventy Five Lacs Only)		

* Please refer to BWR website www.brickworkratings.com/ for definition of the ratings.

BWR has assigned long term rating of BWR BB (pronounced as BWR double B) with stable outlook for the long term fund based bank credit facilities and short term rating of BWR A4 (pronounced BWR A four) for the short term fund based and non-based bank credit facilities of Keaa International Pvt. Ltd.

13 November 2017

Rationale/Description of Key Rating Drivers/Rating sensitivities:

In assigning the ratings of Keaa International Pvt. Ltd. (KIPL or 'the company'), BWR derives comfort from the experienced promoters and long standing track record of business with its established customer base, diversified product portfolio of scaffolding equipment and garden accessories, primarily related to fencing, besides increase in net worth and revenues of the company. The company had moderate profitability margins and debt protection metrics as per the audited FY17 financial data. However, the rating is constrained by low liquidity, as current ratio remains stagnant at 1.06 times over the last two years, high gearing ratio along with inadequate net cash accruals, financial flexibility due to high working capital utilization for day-to-day operations besides predominately dependence on the export sales and vulnerability to the cyclicity associated with the steel industry.

Credit Strengths:

- Experienced promoters and long standing track record of business in the steel industry with an established customer base.
- Marginal growth in top line of the company, as the total operating income increased from Rs 47.93 Cr in FY16 to Rs 51.11 Cr in FY17 and PAT from Rs 0.66 Cr to Rs 0.76 Cr in FY17.
- Net worth of the company increased from Rs 7.71 Cr in FY16 to Rs 8.47 Cr as on 31st March 2017, owing to retention of profits.
- Moderate financial risk profile marked by below average profitability margins with operating profit margin of 4.53% and net profit margin of 1.49%, moderate debt coverage ratios as reflected by ISCR at 2.51times and DSCR at 1.25 times respectively in FY17.

Credit Weakness:

- Low liquidity position in FY17 as current ratio remains stagnant at 1.06times over the past two years.
- Increase in trade receivables period from 59 days in FY16 to 82 days in FY17 due to high dependence on export sales.
- Volatility in profitability margins due to fluctuation in raw material prices.
- Large requirements of working capital for day-to-days operations.
- High gearing which has increased from 2.55times in FY16 to 2.89 times in FY17 indicating highly dependence on the bank borrowings to meet its working capital requirements.



Rating Outlook: Stable

BWR believes the *Keaa International Pvt. Ltd.*'s business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

Keaa International Pvt. Ltd (KIPL) is an ISO -9001:2008 certified company based at Ludhiana, and was promoted by Mr. Raveesh Moudgil in 2009. However, the company started its commercial operations in the year 2011. The company is engaged into manufacturing and exports of scaffolding equipment and garden accessories, primarily related to fencing. Its manufacturing facilities are located at Sahnewal, Ludhiana, and has an installed capacity of 500 metric tonnes per month. The company operates at approximately 95% of its installed capacity.

The company exports its products to various countries like Sweden, Denmark, Singapore and Netherland amongst others. Exports sales constitute 98% of its total revenues. The company follows a hedging policy to guard against forex fluctuation risks.

Analytical Approach:

BWR has factored in the standalone business parameters and financial risk profile of the Company to arrive at the rating. Reference may be made to the Rating Criteria hyperlinked below.

Company Financial Performance

Turnover of the company has increased by ~6.63%, as total operating income increased from Rs 47.93 Cr in FY16 to Rs 51.11 Cr in FY17 and PAT has improved from Rs 0.66Cr in FY16 to Rs 0.76 Cr in FY17. Total net worth of the company increased from Rs 7.71 Cr to Rs 8.47 Cr as on 31st March 2017.

Key Financial Ratios

Financial Parameter	Audited	FY15	FY16	FY17
Net Sales/Revenues	Rs (Crs)	50.34	47.93	51.11
EBIDTA	Rs (Crs)	2.86	2.94	2.32
PAT	Rs (Crs)	.39	.66	.76
Tangible Networth	Rs (Crs)	7.05	7.71	8.47
Total Debt : TNW	Times	3.10	2.55	2.89
Current Ratio	Times	.99	1.05	1.06

13 November 2017

Rating History for the last three years: (including withdrawn/suspended ratings)

S.No.	Instrument/ Facility	Current Rating (FY 2018)			FY2017	FY2016
		Type	Amount (Rs Crs)	Rating		
1	Term Loan	<u>Fund Based</u> Long Term	0.30	BWR BB (Pronounced as BWR Double B) Outlook : Stable	NA	NA
2	Cash Credit		11.50			
3	EPC/PCFC (within CC Limit)	<u>Non-fund</u> <u>Based</u> Short Term	-11.50	BWR A4 (Pronounced as BWR A Four)		
4	LC (within CC)		-6.00			
5	SLC		0.85			
6	Forward contract Risk		0.60			
7	LC & Bank Guarantee	<u>Non-fund</u> <u>Based</u> Short Term	2.5			
8	Letter of Comfort		1.50			
		Total	Rs 17.75 Crores (INR Seventeen Crore and Seventy Five Lacs Only)			

Status of non-cooperation with previous CRA (if applicable) – NA

Any other information - NIL

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)
- [Short Term Debt](#)



Analysts	Media
Mr. Ashwini Mital Sr. General Manager- Ratings	media@brickworkratings.com
analyst@brickworkratings.com	Relationship Contact
	bd@brickworkratings.com
Phone: 1-860-425-2742	

For print and digital media

The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

DISCLAIMER

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.