

Rating Rationale

**Kohinoor India Pvt.
Ltd.**

25 Jan 2019

Brickwork Ratings upgrades/reaffirms the rating for the bank loan facilities of Kohinoor India Pvt. Ltd.

Particulars

Facilities Rated	Tenure	Previous Amount (Rs. Crs)	Present Amount (Rs. Crs)	Previous Rating	Present Rating*
Fund Based					
Cash Credit	Long Term	10.00	10.00	BWR BB- (Pronounced as BWR Double B Minus) Outlook: Stable	BWR BB (Pronounced as BWR Double B) Outlook: Stable Upgraded
Non Fund Based					
FLC	Short Term	4.00	4.00	BWR A4 (Pronounced as BWR A Four)	BWR A4 (Pronounced as BWR A Four) Reaffirmed
ILC		0.70	0.70		
BG		0.30	0.30		
Total		15.00	15.00	(INR Fifteen Crores Only)	

*Details at annexure I; please refer to www.brickworkratings.com for definition of the ratings.

Rating Action: Upgradation of Long Term rating at BWR BB (with stable outlook) and Reaffirmation of Short Term Rating at BWR A4.

Rationale:

In upgrading the long term rating and reaffirming the short term rating of **Kohinoor India Pvt. Ltd.** (KIPL or 'the company'), primarily engaged in the manufacturing of rubber products like bicycle tyres, auto tubes, rubber sheets and trading of natural rubber and rubber chemicals, BWR has factored in the consistent revenue growth registered during FY16-FY18, long term experience of the promoters in the industry, experienced management team and moderate liquidity position. The ratings, however, are constrained by average financial risk profile of the company marked by weak debt protection metrics and high gearing ratio, working capital intensive nature of operations which, at times, puts pressure on liquidity resulting in near full utilization of the company's cash credit limits. Further, the company's profitability margins are susceptible to volatility in raw material prices besides presence in a highly competitive nature of industry.

Going forward, ability of the company to increase its scale of operations significantly, reduce debt and interest outflow, and improve its profitability margins and manage any mismatch in cash flows for repayment of its debt obligations shall be the key rating sensitivities.

Key Rating Determinants

Credit Strengths:

- a) Long track record of operations since 1989.
- b) Experienced management and established brand name in the bicycle tyre tube segment.
- c) Consistent revenue growth marked by total operating income of Rs. 97.37 Crs in FY16 to Rs. 102.23 Crs in FY17 to Rs. 108.47 Crs in FY18.
- d) Comfortable liquidity position reflected by current ratio of 1.73x in FY18 vis-a-vis 1.36x in FY17.

Credit Weaknesses:

- e) Average financial risk profile of the company marked by weak debt protection metrics reflected by interest service coverage ratio (ISCR) of 1.19x in FY18 as against 1.25x in FY17. However the ISCR has improved to 1.71 times as per the 9MFY19 unaudited financials.
- f) Low profitability margins with operating profit margins at 3.01% in FY18 which declined from 3.79% in FY17. Profit after tax (PAT) margin was at 0.91% in FY18 having improved from 0.66% in FY17.
- g) Working capital intensive nature of operations with days' receivables increasing of 99 days in FY17 and days' inventory at 59 days which puts pressure on the company's liquidity position.
- h) The company has high gearing with D/E ratio deteriorating to 1.81x in FY18 from 1.46x in FY17.
- i) Highly competitive nature of tyre industry and susceptibility of KIPL's margins to volatility in raw material prices.

Rating Outlook: Stable

BWR believes the **Kohinoor India 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 company increases its scale of operations significantly along with improving its profitability margins. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

Analytical Approach:

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

About the Company

Incorporated in 1989, Kohinoor India Pvt. Ltd. (KIPL) is engaged into the manufacturing of rubber products like bicycle tyres, auto tubes, rubber sheets and trading of natural rubber and rubber chemicals. The Company is currently operating with Mr. Surinder Pal Jain as its Managing Director. Domestically, the products are sold at Noida, Ludhiana, Varanasi, Lucknow, amongst others, while the export destinations include countries like Ukraine, Uganda, Burkina Faso, Zambia, Tanzania, etc.

Company's Financial Performance

Key Financial Parameters	FY18 (Audited)	FY17 (Audited)
Revenue from operations	Rs. 108.47 Cr	Rs. 102.09 Cr
EBIDTA	Rs. 3.26 Cr	Rs. 3.73 Cr
PAT	Rs. 0.99 Cr	Rs. 0.67 Cr
Total Debt/Tangible Net worth	1.81 times	1.46 times
ISCR	1.19 times	1.25 times

As per 9MFY19 unaudited financials, the company has achieved revenue of Rs. 88.66 Crs.

Rating History for the last three years:

Sl. No.	Instrument /Facility	Current Rating (Jan-2019)			Rating History		
		Tenure	Amount (Rs.Cr)	Rating	May-2018	November-2017	March-2016
1	Cash Credit	Long Term	10.00	BWR BB (Pronounced as BWR Double B) Outlook:Stable Upgraded	BWR BB- (Pronounced as BWR Double B Minus) Outlook:Stable	BWR B+ (Pronounced as BWR B Plus) Outlook:Stable	BWR B+ (Pronounced as BWR B Plus) Outlook:Stable
2	FLC	Short Term	4.00	BWR A4 (Pronounced as BWR A Four) Reaffirmed	BWR A4 (Pronounced as BWR A Four)	BWR A4 (Pronounced as BWR A Four)	BWR A4 (Pronounced as BWR A Four)
3	ILC	Short Term	0.70	BWR A4 (Pronounced as BWR A Four) Reaffirmed	BWR A4 (Pronounced as BWR A Four)	BWR A4 (Pronounced as BWR A Four)	BWR A4 (Pronounced as BWR A Four)
4	BG	Short Term	0.30	BWR A4 (Pronounced as	BWR A4 (Pronounced as	BWR A4 (Pronounced	BWR A4 (Pronounced

				BWR A Four) Reaffirmed	BWR A Four)	d as BWR A Four)	as BWR A Four)
Total			15.00	(INR Fifteen Crores Only)			

NA: Not Available

Status of non-cooperation with previous CRA (if applicable): Reason and comments: Not Applicable
Any other information: NIL

Hyperlink/Reference to applicable Criteria

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

For any other criteria obtain hyperlinks from website

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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

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