



Rating Rationale

Kunstwerk Machinery (I) Pvt Ltd

31 May 2018

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 8.00 Crores of Kunstwerk Machinery (I) Pvt Ltd.

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based			
OCC Limit	2.50	Long Term	BWR B+ BWR Single B Plus Outlook: Stable
Overdraft against Book debts	(1.50)		
Term Loan	0.32		
Proposed/(Enhanced)	1.68		
Fund Based			
PC/FDB/FBE	3.50	Short Term	BWR A4 BWR A Four
Total	8.00	INR Eight Crores Only	

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

Overdraft against Book Debts is a sub limit of OCC Limit

Rating Assigned

Brickwork Ratings (BWR) assigns the ratings for the long term facilities of Kunstwerk Machinery (I) Pvt Ltd as BWR B/A4 (Outlook: Stable)

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon audited financials upto FY17, provisional financial of FY18, projected results up to FY20 and information provided by the Company's management.

The rating draws comfort from the experience of the promoters in the same line of business and Healthy order book position. However, the rating is constrained due to small scale of operations, low net worth, high gearing ratios, moderate debt protection metrics, low liquidity ratio, weak profit margins and working capital intensive nature of operations.

Going forward, the ability of the company to increase its scale of operations, improve profitability margins and efficiently utilize its working capital would be the key rating sensitivities.

Description of Key Rating Drivers

- **Credit Strengths:**

- **Experience of the promoters in the same line of business** - The company benefits from the experience and expertise of promoters who has more than a decade of experience in the same line of business.
- **Healthy Order Book Position** - As of May 2018, the company has a healthy order book position of Rs 30.79 crores. The same gives medium term revenue visibility.

- **Credit Risks:**

- **Small scale of operations** - Scale of operations is small and has declined from Rs. 11.38 crores in FY16 to Rs. 8.42 crores in FY17. As per the Company's provisional figures, the revenue is further reducing to Rs. 6.13 crores. This is mainly due to fragmented and intensely competitive nature of the industry.
- **Below average financial risk profile marked by low net worth** - The net worth of the Company is low at Rs. 2.05 crores as on March 31, 2017. Capital structure is also weak with high gearing of 3.27 times and TOL/TNW of 4.04 times. The debt protection metrics is also moderate marked by ISCR of 1.57 times. Profit margins of the company is low with 0.48% of net profit margin.
- **Working Capital intensive nature of operations** - Operations of the Company is working capital intensive marked by gross current assets of 280 days as on March 31, 2017.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Outlook: Stable

BWR believes the **Kunstwerk Machinery (I) Pvt Ltd** 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

Kunstwerk Machinery (I) Pvt Ltd was established in 2010 at Bangalore, Karnataka. The main objective of the company is to manufacture, supply and export wide range of Agro Machineries and accessories. The Company is promoted by Mr. Suraj Ramakrishnan, who is having more than a decade of experience in the same line of business. He is supported by Mr. B. Prem Kumar and Mr. Santosh B. P. who are the directors of the organisation.

Company Financial Performance

The company registered a net profit (PAT) of Rs. 0.04 crores against a total operating income (TOI) of Rs. 8.42 crores in FY17 compared to PAT of 0.19 crores against a TOI of Rs. 11.38 crores in FY16. The net worth of the company stood at Rs. 2.05 crores as on March 31, 2017 compared to Rs. 0.52 crores as on March 31, 2016

Rating History for the last three years

S.No	Instrument /Facility	Current Rating (2018)			Rating History		
		Type	Amount (₹ Crs)	Rating	2017	2016	2015
	Fund Based	Long Term	4.50	BWR B+ BWR Single B Plus Outlook: Stable	NIL	NIL	NIL
	Fund Based	Short Term	3.50	BWR A4 BWR A Four			
	Total		8.00	₹ Eight crores Only			

Key Financial Indicators

Key Parameters	Units	2017	2016	2015
Result Type		Audited	Audited	Audited
Operating Revenue	₹ Cr	8.42	11.38	5.50
EBITDA	₹ Cr	1.22	0.86	0.43
PAT	₹ Cr	0.04	0.19	0.05
Tangible Net worth	₹ Cr	2.05	0.52	0.33
Total Debt/Tangible Net worth	Times	3.27	10.84	13.23
Current Ratio	Times	0.88	0.78	1.00

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Infrastructure Sector](#)
- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website

Analytical Contacts	Media
<i>Nagaraj KS</i>	media@brickworkratings.com
<i>Chief Manager - MSME</i>	Relationship Contact
analyst@brickworkratings.com	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 ₹ 10,00,000 Cr. In addition, BWR has rated over 6300 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹24,440 Cr have been rated.

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.