

Rating Update

December 04, 2024 | Mumbai

KCK Industries Limited**Update as on December 04, 2024**

This update is provided in continuation of the rating rational below.

The key rating sensitivity factors for the rating include:

Upward factor:

- Sustained improvement in scale of operations leading to revenue growth of more than 25% with stable profitability margin above 4%, resulting in higher cash accrual.
- Improvement in financial risk profile with moderation in gearing and total outside liabilities to tangible networth ratios

Downward factor:

- Decline in scale of operations leading to fall in revenue by 25% and profitability margin below 3%, hence leading to net cash accrual lower than Rs 1 crore.
- Substantial increase in working capital requirements weakening the liquidity and financial risk profiles.

CRISIL Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, CRISIL Ratings seeks regular updates from companies on the business and financial performance. CRISIL Ratings is, however, awaiting adequate information from KCK Industries Limited (KIL) which will enable us to carry out the rating review. CRISIL Ratings will continue provide updates on relevant developments from time to time on this credit.

CRISIL Ratings also identifies information availability risk as a key credit factor in the rating assessment as outlined in its criteria 'Information Availability Risk in Credit Ratings'.

About the Company

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Rating Rationale

October 05, 2023 | Mumbai

KCK Industries Limited

'CRISIL BB / Stable' assigned to Bank Debt

Rating Action

Total Bank Loan Facilities Rated	Rs.35 Crore
Long Term Rating	CRISIL BB/Stable (Assigned)

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1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed rationale

CRISIL Ratings has assigned its '**CRISIL BB/Stable**' rating to the long-term bank facilities of KCK Industries Ltd (KIL).

The rating reflects the extensive experience of the promoters of KIL in diversified industries and its improving scale of operations. The company reported operating income of Rs 95.2 crore in fiscal 2023 (the first full year of operation in rice milling), which is expected to improve by 20-25% in fiscal 2024. These strengths are partially offset by susceptibility to price volatility risk and average financial risk profile.

Key rating drivers and detailed description

Strengths

- **Extensive business experience of the promoters:** The promoters have experience of over a decade in multiple industries. This has given them an understanding of the dynamics of the market and enabled them to establish healthy relationships with customers and suppliers.
- **Improving scale of operations:** In its first full year of operation in rice milling, the company reported an operating income of Rs 95.2 crore in fiscal 2023 driven by volumetric growth of around 46%. The scale is expected to improve further by 20-25% in fiscal 2024 backed by continuous demand in the market and regular addition of new customers. Operating margin, at 4.25% for fiscal 2023, is estimated to sustain above 4% over the medium term.

Weaknesses

- **Susceptibility to price volatility risk:** The price volatility risk is attributed to agro-climatic risk, which is dependent on adequate and timely monsoon. Thus, KIL is exposed to the risk of limited availability of its key raw material during a weak monsoon. Also, raw material price is linked to international prices of commodities. Competition from peers could have an adverse impact on the profit margin.
- **Average financial risk profile:** Gearing and total outside liabilities to adjusted tangible network (TOLANW) ratios were high at 3.65 and 4.6 times, respectively, as on March 31, 2023. However, 15 lakh warrants are to be converted into equity at Rs. 20/share in fiscal 2023. Application money of 25% has already been received and the balance is expected to be received in the next 18 months. Therefore, network of the company should improve to more than Rs 19 crore as on March 31, 2024 from Rs 11.03 crore a year earlier. Further, this should lead gearing and TOLANW ratios to improve slightly to 1.9 and 2.55 times, respectively, as on March 31, 2024. Debt protection measures have been moderate with interest coverage and net cash accrual to total debt (NCATD) ratios of 2.18 times and 0.05 time, respectively, for fiscal 2023. Debt protection measures are expected to remain at similar level over the medium term.

Liquidity: Adequate

Expected cash accrual of Rs 2.0-2.5 crore over the medium term (Rs 1.81 crore in fiscal 2023) should comfortably cover yearly debt obligation of Rs 0.04 crore and support liquidity. Bank limit utilisation is high at 70.8%, on average, over the 12 months through August 2023. Current ratio is moderate at 1.27 times on March 31, 2023.

Outlook: Stable

CRISIL Ratings believes KIL will continue to benefit from the extensive experience of its promoters, and established relationships with clients.

Rating sensitivity factors**Upward factor**

- Sustained improvement in scale of operations leading to revenue growth of more than 25% with stable profitability margin above 4%, resulting in higher cash accrual.
- Improvement in financial risk profile with moderation in gearing and total outside liabilities to tangible network ratios

Downward factor

- Decline in scale of operations leading to fall in revenue by 25% and profitability margin below 3%, hence leading to net cash accrual lower than Rs 1 crore.
- Substantial increase in working capital requirements weakening the liquidity and financial risk profiles.

About the company

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Key financial indicators

As on / for the period ended March 31		2023	2022
Operating income	Rs crore	95.22	69.77
Reported profit after tax (PAT)	Rs crore	1.31	1.20
PAT margin	%	1.38	1.72
Adjusted debt/Adjusted networkth	Times	3.64	3.41
Interest coverage	Times	2.18	5.13

Any other information: Not applicable

Note on complexity levels of the rated instrument:

CRISIL Ratings' complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

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Annexure - Details of instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs crore)	Complexity levels	Rating assigned With outlook
NA	Cash credit	NA	NA	NA	10	NA	CRISIL BB/Stable
NA	Warehouse financing	NA	NA	NA	20	NA	CRISIL BB/Stable
NA	Proposed long-term loan	NA	NA	NA	5	NA	CRISIL BB/Stable

Annexure - Rating History for last 3 Years

Current				2023 (History)		2022		2021		2020		Start of 2020
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	35.0	CRISIL BB/Stable		--		--		--		--	--

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Cash Credit	10	Central Bank Of India	CRISIL BB/Stable

Proposed Long Term Bank Loan Facility	5	Not Applicable	CRISIL BB/Stable
Warehouse Financing	20	Central Bank Of India	CRISIL BB/Stable

Criteria Details

Links to related criteria

[CRISILs Approach to Financial Ratios](#)

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