

## KSH International Private Limited (Revised)

November 30, 2022

### Ratings

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	12.82 (Reduced from 18.82)	CARE A-; Positive (Single A Minus; Outlook: Positive )	Reaffirmed; Outlook revised from Stable
Long Term / Short Term Bank Facilities	10.00	CARE A-; Positive / CARE A2 (Single A Minus ; Outlook: Positive/ A Two )	Assigned
Long Term / Short Term Bank Facilities	110.00 (Enhanced from 85.00)	CARE A-; Positive / CARE A2 (Single A Minus ; Outlook: Positive/ A Two )	Reaffirmed; Outlook revised from Stable
Short Term Bank Facilities	4.00	CARE A2 (A Two )	Reaffirmed
<b>Total Bank Facilities</b>	<b>136.82</b> <b>(₹ One Hundred Thirty-Six Crore and Eighty-Two Lakhs Only)</b>		

Details of instruments/facilities in Annexure-1.

The reaffirmation of the ratings assigned to the bank facilities of KSH International Private Limited (KSH) continues to derive strength from experienced promoters, its healthy market position in the copper winding wires industry, reputed clientele and healthy financial risk profile marked by comfortable debt protection metrics and capital structure.

These strengths are partially offset by growing yet moderate scale of operations in copper winding industry, modest profitability, exposure to volatility in raw material prices and end user concentration in revenue.

While the ratings take a note of stabilisation and ramp up of operations at the Round Wire (RW) division, KSH is a relatively new player in the product segment. RW division needs to scale up further to make a significant contribution to Total Operating Income (TOI) profitability, which also implies capacity addition and higher working capital requirements in near to medium term.

#### **Positive Factors: Factors that could lead to upgrade**

- Increase in volumetric sales over 20000MT and PBILTD over Rs.60 crore on sustained basis
- Improved working capital cycle resulting in lower reliance on external borrowings on sustained basis
- Sustained improvement in financial risk profile marked by improved debt protection metrics

#### **Negative Factors: Factors that could lead to downgrade**

- Significant dip in scale of operations or profitability resulting in total debt to gross cash accruals over 5x
- Higher than envisaged debt funded capex leading to weakening of capital structure and debt protection metrics
- Dip in absolute PBDIT below Rs.25 crore resulting in strained liquidity
- In case of bank(s) exercising their right of cancellation of undrawn bank loan facilities in future on account of rating trigger events as mentioned in the sanction letters leading to deterioration in liquidity of the company.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

**Outlook: Positive**

The positive outlook reflects CARE's expectation of further growth in scale of operations coupled with improved profit in absolute terms resulting in increased cash accruals and improved debt coverage ratios. The outlook may be revised to 'Stable' if the company is unable to achieve the envisaged revenue and profits and if the debt protection metrics and capital structure weaken from current levels.

**Detailed description of the key rating drivers****Key Rating Strengths****Experienced promoter group with healthy track record of operations**

The promoters of KSH have been in the copper conductors business for about five decades. Mr Kushal Hegde, the Chairman has an experience of around five decades in the manufacturing and infrastructure sectors. The second-generation entrepreneurs of the Hegde family, Mr. Rajesh Hegde and Mr. Rohit Hegde have around 2 decades of industry experience and are ably supported by a team of second tier management with requisite experience as well as technical competence. The company over its four decades of existence, has built a sustainable business with significant presence in the copper winding wire industry, particularly CTC and PICC in India and export markets.

**Long association with established and diversified customer base with healthy market position in CTC and PICC segment**

KSH continues to have healthy market position in Bare and Insulated Rectangular and Transposed Cables in India. The company caters to various reputed Original Equipment Manufacturing (OEM) companies in India and globally. By virtue of servicing these OEMs, the company has developed long-term business relationship. These OEMs are majorly in power, railways, auto, transformers, and amongst others. Top 10 customers of the company account for around 60% of the total operating income which reflects diversified customer base, considering business to business marketing of KSH.

**Healthy financial risk profile**

The debt profile of the company includes working capital borrowings and term debt. Overall gearing (including term loan and working capital borrowings) remained below unity at 0.86 times as on March 31, 2022 (0.61 as on March 31, 2021) and is expected to remain comfortable over the medium term. The healthy accretions to reserves resulted in healthy tangible networth of Rs.170.42 crore as on March 31, 2022 (Rs.141.14 crore as on March 31, 2021). The company's working capital borrowing requirements continue to increase, commensurate with the growing scale of operations. This, coupled with additional debt funded capex may impact the overall financial risk profile and is a key rating monitorable. The debt protection metrics remained healthy as indicated by interest coverage ratio of over 5 times in FY22 (refers to period April 1 to March 31, 3.9 times in FY21) and is expected to remain at the similar level over the medium term. Further, owing to continuous debt-funded capex, the TDGCA remained moderate at 4.1 times as on March 31, 2022 (4.5 times as on March 31, 2021) and the same will remain key monitorable going forward.

**Key Rating Weaknesses****Growing yet moderate scale of operations**

KSH's revenue nearly doubled to Rs.874.40 crore in FY22 (Rs.471.21 in FY21), supported by a volume growth of 30%, as demand from power sector and railways witnessed sharp recovery. The scale of operation is expected to remain over Rs.900 crore over the medium and the sustenance of the same due to increase in volumetric sale will remain key monitorable over the near to medium term.

**Modest profitability**

KSH either undertakes end to end work i.e. outright sales or on jobwork basis. Further, with fixed fabrication rate per tonne, the copper prices are inversely proportional to the profitability margins. By virtue of relatively low value addition of winding wires, the PBILDT margins of the company ranges between 4-6%. The company reported PBILDT margin of 6.3% in FY22 having marginally improved from 5.54% in previous fiscal. The sustained increase in absolute profit will remain key monitorable over the medium term.

**End user concentration**

The products manufactured by KSH find applications in power industry. This exposes the company's operations towards any delays in execution of power projects and government policies regarding power sector. The foray in the Round Wire product segment by KSH will allow the company to partly diversify its end user profile considering it will target automobile sector.

### Exposure to volatility of copper prices

Major raw material used in manufacturing is copper, which forms around 90% of total operating cost for the company. KSH books raw material requirement on receipt of confirmed orders only. The company procures copper in back-to-back arrangement with suppliers against confirmed orders i.e. the customer prices the copper with KSH and KSH does the same with its suppliers thereby, mitigating full volatility of raw material prices to a larger extent.

### Liquidity: Adequate

The liquidity position of the company is characterized by healthy cushion in accruals vis-à-vis repayment obligations. Gross cash accruals are expected to be in the range of Rs.36crore - Rs.38 crore as against the annual repayment obligations to the tune of approximately Rs.5-7 crore over the medium term. The operations of the company are moderately working capital intensive as indicated by operating cycle of 68 days as on March 31, 2022 (88 days as on March 31, 2021). The average bank limit utilisation averaging at 44% for the past 12 months ended July, 2022. Also, the working capital requirements have been increasing due to increased scale of operation. The company has been enhancing its working capital limits and timely enhancements going forward will remain critical to manage high working capital requirements.

### Analytical approach: Standalone

### Applicable criteria

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Manufacturing Companies](#)

[Policy on Withdrawal of Ratings](#)

### About the Company

Incorporated in July 1979 and based in Pune, KSH is promoted by Mr. Kushal S Hegde. KSH international is amongst leading manufacturer of CTC and PICC in India and supplying its products both locally and internationally to global large equipment OEM's in regions like USA, Middle East, Bangladesh, etc. The company has two plants with a total manufacturing capacity for PICC, CTC and Round Wire of 23,000 MTPA.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	H1FY23
Total operating income	471.21	874.40	NA
PBILDT	26.11	54.80	
PAT	14.51	29.25	
Overall gearing (times)	0.61	0.86	
Interest coverage (times)	3.86	5.54	

A: Audited

**Status of non-cooperation with previous CRA:** Not applicable**Any other information:** Not applicable**Rating history for the last three years:** Please refer Annexure-2**Covenants of the rated instruments/facilities:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3**Complexity level of various instruments rated for this company:** Annexure-4**Annexure-1: Details of instruments/facilities**

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Term Loan		-	-	30/09/2027	12.82	CARE A-; Positive
Fund-based/Non-fund-based-LT/ST		-	-	-	10.00	CARE A-; Positive / CARE A2
LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC		-	-	-	35.00	CARE A-; Positive / CARE A2
LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC		-	-	-	75.00	CARE A-; Positive / CARE A2
Non-fund-based - ST-BG/LC		-	-	-	4.00	CARE A2

**Annexure-2: Rating history for the last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	LT/ST*	35.00	CARE A-; Positive / CARE A2	-	1)CARE A-; Stable / CARE A2 (03-Nov-21)	1)CARE A-; Stable / CARE A2 (08-Oct-20)	1)CARE A-; Stable / CARE A2 (26-Sep-19)
2	Fund-based - LT-Term Loan	LT	12.82	CARE A-; Positive	-	1)CARE A-; Stable (03-Nov-21)	1)CARE A-; Stable (08-Oct-20)	1)CARE A-; Stable (26-Sep-19)
3	Non-fund-based - ST-BG/LC	ST	4.00	CARE A2	-	1)CARE A2 (03-Nov-21)	1)CARE A2 (08-Oct-20)	1)CARE A2 (26-Sep-19)
4	LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	LT/ST*	75.00	CARE A-; Positive / CARE A2	-	1)CARE A-; Stable / CARE A2 (03-Nov-21)	1)CARE A-; Stable / CARE A2 (08-Oct-20)	1)CARE A-; Stable / CARE A2 (26-Sep-19)

5	Fund-based/Non-fund-based-LT/ST	LT/ST*	10.00	CARE A- ; Positive / CARE A2				
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\*Long term/Short term.

### Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities

Name of the Instrument	Detailed explanation
<b>A. Financial covenants</b>	
a. Debt service coverage ratio – ICICI Bank Ltd & Federal Bank Ltd	Average DSCR should not fall below 1.33 times
b. Total debt/Net cash accruals - ICICI Bank Ltd	Total debt/net cash accruals not to exceed 7 times

### Annexure-4: Complexity level of various instruments rated for this company

Sr. No.	Name of Instrument	Complexity Level
1	Fund-based - LT-Term Loan	Simple
2	Fund-based/Non-fund-based-LT/ST	Simple
3	LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	Simple
4	Non-fund-based - ST-BG/LC	Simple

### Annexure-5: Bank lender details for this company

To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of the rated instruments:** CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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### About us:

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