

## K-Three Electronics Private Limited

June 10, 2021

### Ratings

Facilities / Instruments	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	9.00	CARE B-; Stable; ISSUER NOT COOPERATING* (Single B Minus; Outlook: Stable; ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE B; Stable; (Single B; Outlook: Stable)
Short Term Bank Facilities	0.90	CARE A4; ISSUER NOT COOPERATING* (A Four; ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category
<b>Total Facilities</b>	<b>9.90</b> (Rs. Nine Crore and Ninety Lakhs Only)		

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated April 30, 2020 placed the ratings of K-Three Electronics Private Limited (KTEPL) under the 'issuer non-cooperating' category as KTEPL had failed to provide information for monitoring of the rating. KTEPL continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and a letter/email dated March 16, 2021, March 26, 2021, April 05, 2021. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. Further banker could not be contacted.

**Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above ratings.**

The rating has been revised by taking into account non-availability of information and no due-diligence conducted due to non-cooperation by KTEPL with CARE'S efforts to undertake a review of the rating outstanding. CARE views information availability risk as a key factor in its assessment of credit risk. Further, the ratings continue to remain constrained owing to small scale of operations, customer concentration risk, low profitability margins and leveraged capital structure, volatility in raw material prices and competitive nature of the industry.

The ratings, however, continue to take comfort from experienced promoters, and moderate operating cycle.

### Detailed description of the key rating drivers

Please refer to PR dated [April 30, 2020](#)

*(Updated for the information available from the Registrar of Companies)*

### Detailed description of the key rating drivers

#### Key Rating Weaknesses

#### **Small scale of operations**

The scale of operations of the company has remained small marked by a total operating income and gross cash accruals of Rs.82.08 crore and Rs.2.11 crore respectively during FY20 (FY refers to the period April 01 to March 31). Further, the net worth bases stood relatively small at Rs.4.92crores as on March 31, 2020. The small scale limits the company's financial flexibility in times of stress and deprives it from scale benefits.

#### **Customer concentration risk**

The company is engaged in the manufacturing of plastic moulded components with L G Electronics India Private Limited and Samsung Electronics India Private Limited being its customers. This exposes the company's revenue growth and

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careratings.com](http://www.careratings.com) and in other CARE publications

\*Issuer did not cooperate; Based on best available information

profitability to its customer's future growth plans. Hence, any changes in the procurement policy could adversely affect the profitability margins of the company.

#### **Low profitability margins and leveraged capital structure**

The PBILDT margin of the company stood low at 5.22% for the FY20 mainly on account of limited value addition. Further, high interest cost and depreciation charges have also restricted the net profitability of the company. The capital structure marked by debt equity and overall gearing stood leveraged at ~2.90x and ~3.45x as on balance sheet dates of the past three financial years ending March 31, 2020 on account of debt funded CAPEX undertaken in the past coupled with high dependence on external borrowings to meet the working capital requirement. Owing to high debt levels; the coverage indicators marked by interest coverage ratio and total debt to GCA stood weak at 1.89x and 8.05x respectively for FY20.

#### **Volatility in raw material prices**

The key raw material is plastic granule and powder which is a crude oil derivative. Its price is dependent on crude oil prices which are highly volatile. Therefore, the operating margin of KTEPL remains susceptible to any sharp movement in the raw material prices.

#### **Competitive nature of the industry**

The firm is operating in a competitive industry wherein there is presence of a large number of players in the unorganized sectors. The company is comparative a small player catering to the same market which has limited the bargaining power of the company and has exerted pressure on its margins.

#### **Key Rating Strengths**

##### **Experienced promoters**

The company is being managed by Mr. Kanish Khanna and Mrs. Priyanka Marwah. Mr. Kanish Khanna has an experience of more than two decades in the manufacturing of plastic moulded components through his association with KTEPL and EML. Mrs. Priyanka Marwah has an experience of more than a decade in the industry through her association with the KTEPL and EML. KTEPL has been operating in this business for more than two decades, which aid in establishing a healthy relationship with both customers and suppliers.

##### **Moderate operating cycle**

The operating cycle of the company stood moderate as marked by 18 days for FY20. Owing to large product portfolio (different design, sizes etc.), the company is required to maintain adequate inventory of raw material for smooth running of its production processes and finished goods of all the products to meet the immediate demand of its customers resulting into average inventory holding period of around 19 days in FY20. Being in highly competitive nature of industry and dealing with reputed and large sized player which possess high bargaining power as compared to KTEPL, the company has liberal credit policies wherein it allows credit around 1 month resulting into average collection period of 20 days in FY20.

**Analytical Approach:** Standalone

##### **Applicable criteria**

[Policy in respect of non-cooperation by issuers](#)

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Financial ratios – Non-Financial Sector](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

[CARE's methodology for manufacturing companies](#)

[Criteria for Short Term Instruments](#)

##### **About the Firm**

Uttar Pradesh based KTEPL (CIN U32107DL1999PTC099043) was incorporated in 1999. KTEPL is being managed by Mr. Kanish Khanna and Ms. Priyanka Marwah. The company is engaged in manufacturing of plastic moulded components. The manufacturing facility of the company is located in Rewari, Haryana. KTEPL procures the raw material from local dealers and sells its products to companies such as LG electronics Private Limited and Samsung Electronics. Evershine Moulders Limited is an associate concern of KTEPL engaged in manufacturing of plastic moulded components.

*Non BFSI*

Brief Financials (Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	70.92	82.08
PBILDT	4.32	4.29
PAT	0.11	0.24
Overall gearing (times)	4.34	3.45
Interest coverage (times)	1.92	1.89

A: Audited

Status of non-cooperation with previous CRA: NA

Any other information: Not Applicable

Rating History (Last three years): Please refer Annexure-2

**Annexure-1: Details of Instruments/Facilities**

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Term Loan	-	-	-	3.00	CARE B-; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Cash Credit	-	-	-	6.00	CARE B-; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-Letter of credit	-	-	-	0.90	CARE A4; ISSUER NOT COOPERATING*

*\*Issuer did not cooperate; Based on best available information*

## Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1.	Fund-based - LT-Term Loan	LT	3.00	CARE B-; Stable; ISSUER NOT COOPERATING*	-	1)CARE B; Stable; ISSUER NOT COOPERATING* (30-Apr-20)	-	1)CARE B+; Stable; ISSUER NOT COOPERATING* (15-Jan-19) 2)CARE BB-; Stable (04-May-18)
2.	Fund-based - LT-Cash Credit	LT	6.00	CARE B-; Stable; ISSUER NOT COOPERATING*	-	1)CARE B; Stable; ISSUER NOT COOPERATING* (30-Apr-20)	-	1)CARE B+; Stable; ISSUER NOT COOPERATING* (15-Jan-19) 2)CARE BB-; Stable (04-May-18)
3.	Non-fund-based - ST-Letter of credit	ST	0.90	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4; ISSUER NOT COOPERATING* (30-Apr-20)	-	1)CARE A4; ISSUER NOT COOPERATING* (15-Jan-19) 2)CARE A4 (04-May-18)

\*Issuer did not cooperate; Based on best available information

## Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not Applicable

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

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Fund-based - LT-Term Loan	Simple
3.	Non-fund-based - ST-Letter of credit	Simple

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. This classification is available at [www.careratings.com](http://www.careratings.com). Investors/market intermediaries/regulators or others are welcome to write to [care@careratings.com](mailto:care@careratings.com) for any clarifications.

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### About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

#### Disclaimer

CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating. Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

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