

Karishma Finishers Private Limited

June 16, 2021

Rating

Facilities/Instruments	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	10.00	CARE B-; Stable; ISSUER NOT COOPERATING* (Single B Minus; Outlook: Stable ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category
Total Bank Facilities	10.00 (Rs. Ten Crore Only)		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE had, vide its press release dated June 2, 2020, placed the rating(s) of Karishma Finishers Private Limited (KFPL) under the 'issuer non-cooperating' category as KFPL had failed to provide information for monitoring of the rating for the rating exercise as agreed to in its Rating Agreement. KFPL continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and emails dated May 8, 2021, April 28, 2021 and April 18, 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.

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

The ratings take into account non-availability of requisite information and no due diligence conducted due to non-cooperation by Karishma Finishers Private Limited 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.

Detailed description of the key rating drivers

At the time of last rating on June 2, 2020, the following were the rating weaknesses and strengths (Updated for the information from Registrar of Companies):

Key Rating Weaknesses

Small scale of operations with low net worth base: The scale of operations remained small as marked by total operating income and gross cash accruals of Rs.22.81 crore and Rs.1.77 crore respectively in FY20(FY refer to April 1 to March 31) as against Rs.23.27 crore and Rs.1.97 crore respectively during FY19. Moreover, the company's capital base was relatively small at Rs.6.63 crore as on March 31, 2019. The small scale limits the company's financial flexibility in times of stress and deprives it from scale benefits

Leveraged capital structure and weak debt coverage indicators: The capital structure stood leveraged as marked by overall gearing ratio which stood at 2.58x as on March 31, 2020 as against 2.59x as on March 31, 2019 owing to relatively low net worth base against high debt levels. Consequently, owing to higher debt in its capital structure, the debt coverage indicators of the company stood weak and in line with FY19 as marked by interest coverage ratio and total debt to GCA of 2.41x and 9.65x respectively for FY20 as against 2.22x and 9.36x respectively for FY19.

Highly competitive and fragmented industry: The spectrum of the industry in which the company operates is highly fragmented and competitive marked by the presence of numerous players. Apart from players in unorganized sector, the company also faces competition from large and mid-sized players in the organized sector. Given the fact that the entry barriers to the industry are low, the players in the industry do not have pricing power and are exposed to competition induced pressures on profitability.

Key Rating Strengths

Experienced promoters: KFPL has been operating in electroplating of Tag, Terminal, Holder, Locks, Clips, Handle, Holder, Reflectors, Coil, Surgical equipment, etc. for more than two and half decade, which aid in establishing relationships with both suppliers and customers. Current management viz. Mr. Surinder Singh has accumulated vast experience of more than two and half decade in electroplating industry through his association with this entity. He is associated with the company since inception. Prior to this, he has worked in his individual capacity. Mrs. Shalini Chadha; another director of KFPL has an overall experience of a decade in electroplating industry. Both the directors collectively look after the overall operations of the company.

Moderate PBILDT margin: The profitability margin market by PBILDT margin of the company stood moderate for the past three financial years (FY18-FY20) and stood at 18.93% in FY20 as against 16.72% in FY19. However, the company incurred net losses of Rs.0.48 crore in FY20 owing to higher depreciation cost incurred in FY20.

Moderate operating cycle: The operating cycle of the company stood moderate at 88 days for FY20. The company maintains high value products inventory such as chemicals, metals etc for the smooth execution of manufacturing process. The company normally provides credit period of around two-three months to its customers mainly on account of liberal credit policy adopted by KFPL to manage competition resultant into average collection period of 109 days in FY20 and receives a credit period of around two-three months from its supplier's resultant into average creditors' period of 80 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](#)

[Rating Methodology - Manufacturing Companies](#)

About the Company

Gurgaon-Haryana based, Karishma Finishers Private Limited (KFPL) was incorporated in 2009 by Mr. Deepak Chadha (Founder) and Mr. Surinder Singh Sehrawat. The company has succeeded an erstwhile proprietorship firm, Karishma Finishers (KF) established in 1992 by Mr. Deepak Chadha. It is currently being managed by Mr. Surender Singh and Mrs. Shalini Chadha. The company is engaged in manufacturing and electroplating like Zinc Electroplating, Nickel Electroplating, Chrome Electroplating, Silver Electroplating, Tin Electroplating and Copper Plating etc. mainly for the automotive industries. The facility of the company is located at Guragon, Haryana. The processes of the company are ISO 9001:2008 certified. The company serves as a Tier II manufacturer for the reputed brands like Maruti Suzuki India Limited, Honda Motor India Private Limited and Bajaj Auto Limited etc. It generates its 90% of the revenue from automobile industry and remaining from consumer durables industry.

Brief Financials (Rs. crore)	FY19(A)	FY20(A)
Total operating income	23.27	22.81
PBILDT	3.89	4.32
PAT	0.13	-0.48
Overall gearing (times)	2.59	2.58
Interest coverage (times)	2.22	2.41

A: Audited

Status of non-cooperation with previous CRA: CRISIL had placed its rating under non-cooperation due to non-submission of requisite information by the entity as per its press release dated September 16, 2020.

BWR had placed its rating under non-cooperation due to non-submission of requisite information by the entity as per its press release dated June 3, 2021.

Any other information: Not Applicable

Rating History for 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	-	-	-	8.42	CARE B-; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Proposed fund based limits	-	-	-	1.58	CARE B-; Stable; ISSUER NOT COOPERATING*

*Issuer not cooperating; 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	8.42	CARE B-; Stable; ISSUER NOT COOPERATING*	-	1)CARE B-; Stable; ISSUER NOT COOPERATING* (02-Jun-20)	-	1)CARE B+; Stable; ISSUER NOT COOPERATING* (08-Mar-19)
2.	Fund-based - LT-Proposed fund based limits	LT	1.58	CARE B-; Stable; ISSUER NOT COOPERATING*	-	1)CARE B-; Stable; ISSUER NOT COOPERATING* (02-Jun-20)	-	1)CARE B+; Stable; ISSUER NOT COOPERATING* (08-Mar-19)

*Issuer not cooperating; 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-Proposed fund based limits	Simple
2.	Fund-based - LT-Term Loan	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. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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