

Kapilansh Dhatu Udyog Private Limited

October 03, 2024

Facilities/Instruments	Amount (₹ crore)	Ratings ¹	Rating Action
Long Term Bank Facilities	22.82	CARE BB-; Stable; ISSUER NOT COOPERATING*	Rating moved to ISSUER NOT COOPERATING category
Long Term / Short Term Bank Facilities	0.68	CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING*	Rating moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	2.50	CARE A4; ISSUER NOT COOPERATING*	Rating moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

*Issuer did not cooperate; based on best available information.

Rationale and key rating drivers

CARE Ratings Ltd. has been seeking information from Kapilansh Dhatu Udyog Private Limited (KDUPL) to monitor the ratings vide e-mail communications dated September 04, 2024, September 11, 2024, September 18, 2024, letter dated September 25, 2024, and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. The rating on KDUPL's bank facilities will now be denoted as **CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING***.

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

The ratings assigned to the bank facilities of KDUPL continue to remain constrained by its modest scale of operations, moderate profitability, moderate capital structure and weak debt coverage indicators. The ratings are further constrained by working capital intensive nature of operations, exposure to volatility in raw material prices, stretched liquidity position, and presence in a highly competitive and fragmented industry.

The above constraints are partially offset by strength derived from experienced promoters with established and diversified clientele.

Analytical approach: Standalone

Outlook: Stable

The stable outlook reflects CARE Ratings Limited's (CARE Ratings') expectation that the company will continue to benefit from the experience of the promoters and shall sustain its moderate financial risk profile over the medium term.

Detailed description of key rating drivers:

At the time of last rating on October 27, 2023, the following were the rating strengths and weaknesses [updated for information available from FY24 (refers to period April 01 to March 31) provisional financials]:

Key weaknesses

Modest scale of operations

KDUPL is relatively a small player in iron and steel products manufacturing business. The scale of operation of KDUPL have remained modest since inception. The total operating income (TOI) declined by around 12% to ₹109.99 crore in FY24 from ₹122.49 crore in FY23. Despite the long track record of operation, the scale of operation of KDUPL have remained modest which limits its financial flexibility to meet any exigency.

Moderate profitability margins

In FY24, the PBILDT margin remained moderate at 5.91% (5.55% in FY23). PAT margin also improved in line with PBILDT margins to 1.64% in FY24 from 1.51% in FY23.

Moderately leveraged capital structure and weak debt coverage indicators

As on March 31, 2024, the capital structure improved but continued to remain moderate marked by overall gearing of 1.24x as on March 31, 2024 (PY: 1.45x) owing to scheduled repayment of term loan.

Debt coverage indicators, though improved, remained weak during FY24 marked by total debt to GCA of 6.64x (PY: 8.73x) and interest coverage of 2.37x (PY: 2.22x).

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Working capital intensive nature of operations

KDUPL's business, being manufacturing of iron casting products and earthing electrodes, is working capital intensive by nature. KDUPL provides a credit period of around 35 days to retain the customers in the competitive market. Also, the company maintains stock of raw materials to avoid price fluctuation risk which further elongates the inventory cycle. KDUPL's operating cycle deteriorated marginally during FY24 at 105 days (PY: 98 days) on account of increase in inventory and collection period.

Susceptibility to volatility in raw material prices

Pig iron is the primary raw material for manufacturing casted iron pipes and fitting. The increased volatility in the prices exposes KDUPL to raw material price risks. These prices are highly volatile and influenced by demand – supply conditions in the market. The company does not have price-escalation clauses in its contracts to shield its margin against sharp rise in raw material prices. With material cost being the major contributor to the total cost, the profit margins are susceptible to fluctuation in material prices.

Highly competitive and fragmented industry

The spectrum of the cast iron industry in which the company operates is highly fragmented and competitive marked by the presence of various organized and unorganized players manufacturing cast iron pipes and fittings as well as ductile iron pipes and fittings. Hence the players in the industry do not have pricing power and are exposed to competition induced pressures on profitability. Also, as KDUPL's products are related to iron, it is subject to the risks associated with the industry like cyclicity and price volatility. This apart, as the company also manufactures earthing electrodes, where, established players are in existence which in turn provides high competition.

Key strengths

Well-established track record and extensive experience of the promoters in the industry

KDUPL has been engaged in manufacturing of casting iron pipes and fittings for more than three decades which has enabled to develop established relations with customers and suppliers and entail repeat orders from them. KDUPL is managed by its managing director, Navin Mohta along with other directors, Ramesh Dujari, Vijay Patankar, Irfan Makki and Santosh Rahangdale who collectively possess has a vast experience of more than three decades in the business. They are supported by a qualified team of professionals with significant experience in their respective fields.

Established and diversified clientele

KDUPL has a well-diversified and established customer base. With over three decades of operations in the industry, the promoters of KDUPL have developed a long-standing & established relationship with its clientele in various sectors across India, enabling KDUPL to receive repetitive orders. KDUPL offers a variety of products like cast iron spigot and socket pressure pipes, cast iron soil pipes and earthing electrodes. The top five customers contribute to around 25-30% of TOI.

Liquidity: Stretched

The liquidity position is stretched as marked by the gross cash accruals of ₹3.25 crore in FY24 vis-à-vis repayment obligations of around ₹2 crore. Cash flow from operations stood at ₹9.04 crore in FY24.

Applicable criteria

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

[Definition of Default](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

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

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Capital Goods	Industrial Products	Castings & Forgings

Incorporated in 1988 by the Mohta family members, KDUPL is engaged in the manufacturing of centrifugally casted iron pipes and fittings. KDUPL's product range includes cast iron spigot and socket pressure pipes for drinking water and gas, "Kapilansh centrifugal" branded cast iron soil pipes for superior drainage systems and "Kapitrode" branded earthing electrodes for lifelong safety. The operations are managed by Navin R. Mohta (Managing Director), having an experience of more than 15 years in the business. KDUPL has two manufacturing units located at Khairi, Nagpur and Borgaon, Madhya Pradesh with a total installed capacity of 48000 MTPA.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (Prov.)
Total operating income	122.49	109.03
PBILDT	6.80	6.44
PAT	1.85	1.79
Overall gearing (times)	1.45	1.24
Interest coverage (times)	2.22	2.37

A: Audited; Prov.: Provisional; Note: these are latest available financial results

Status of non-cooperation with previous CRA: CRISIL, vide its press release dated May 29, 2024, reaffirmed the rating of KDUPL under issuer not cooperating category in absence of adequate information from the issuer.

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

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 and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	12.00	CARE BB-; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan		-	-	30-10-2028	10.82	CARE BB-; Stable; ISSUER NOT COOPERATING*
Fund-based/Non-fund-based-LT/ST		-	-	-	0.68	CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING*
Non-fund-based - ST-BG/LC		-	-	-	2.50	CARE A4; ISSUER NOT COOPERATING*

*Issuer did not cooperate; based on best available information.

Annexure-2: Rating history for 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 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based/Non-fund-based-LT/ST	LT/ST	0.68	CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable / CARE A4 (27-Oct-23)	-	-
2	Fund-based - LT-Term Loan	LT	10.82	CARE BB-; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable (27-Oct-23)	-	-
3	Non-fund-based - ST-BG/LC	ST	2.50	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4 (27-Oct-23)	-	-
4	Fund-based - LT-Cash Credit	LT	12.00	CARE BB-; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable (27-Oct-23)	-	-

*Issuer did not cooperate; based on best available information.

LT: Long term; ST: Short term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities – Not applicable**Annexure-4: Complexity level of instruments rated**

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

Annexure-5: Lender details

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

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

Contact us

Media Contact Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Analytical Contacts Akhil Goyal Director CARE Ratings Limited Phone: 022-67543590 E-mail: akhil.goyal@careedge.in
Relationship Contact Ankur Sachdeva Senior Director CARE Ratings Limited Phone: 912267543444 E-mail: Ankur.sachdeva@careedge.in	Ashish Kashalkar Assistant Director CARE Ratings Limited Phone: +91-20-4000-9009 E-mail: Ashish.Kashalkar@careedge.in
	Aashvi Shah Lead Analyst CARE Ratings Limited E-mail: Aashvi.Shah@careedge.in

About us:

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Disclaimer:

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