

KSH International Private Limited

December 10, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	195.96 (Reduced from 199.36)	CARE A-; Stable	Reaffirmed
Long-term / Short-term bank facilities	180.00 (Enhanced from 135.00)	CARE A-; Stable / CARE A2	Reaffirmed
Short-term bank facilities	29.00 (Reduced from 32.00)	CARE A2	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Ratings assigned to bank facilities of KSH International Private Limited (KSH) continue to derive strength from its long-track record of operations, experienced promoter group, established and diversified customer base with healthy market position in the copper windings wire industry and its financial risk profile marked by growing scale of operations, comfortable capital structure and debt coverage indicators.

These strengths are partially offset by project risk associated with the ongoing large-sized debt-funded project, which is expected to result in moderation of the company's financial risk profile in the medium term, modest profitability, exposure to raw material price volatility and end-user concentration in revenue.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Stabilisation of capex resulting in growth of scale of operations and absolute profit before interest, lease rentals, depreciation and taxation (PBILDT).
- Improved working capital cycle resulting in lower reliance on external borrowings on sustained basis.
- Total debt to gross cash accruals (TD/GCA) below 5x on sustained basis.

Negative factors

- Higher-than-anticipated incremental debt, due to time and cost overruns in the proposed project and/or incremental working capital requirement leading to overall gearing ratio of over 1.5x on sustained basis.
- PBILDT below ₹40 crore on sustained basis.

Analytical approach: Standalone

Outlook: Stable

Stable outlook reflects CARE Ratings Limited (CARE Ratings) expectation that KSH shall be able to sustain its business risk profile in the medium term supported by its established presence in continuously transposed cables (CTC) and paper insulated covered conductors (PICC) segment and long-association with reputed customers.

Detailed description of key rating drivers:

Key strengths

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

Growing scale of operations

KSH's TOI increased to ₹1,387.56 crore in FY24 (refers to April 01 to March 31) from ₹1,054.39 crore in FY23, registering revenue growth of ~32%. The growth was largely driven by increased volumetric sales (+25% y-o-y), on the back of better demand from end-user segment, and improved sales realisations. In H1FY25 (Unaudited, refers to April 01 to September 30), KSH reported revenue of ₹905.15 crore. CARE Ratings expects scale of operations grow steadily in the medium term considering improved order flow, capacity enhancement and addition of new products and customers.

Comfortable capital structure and debt coverage indicators

The company's capital structure remained comfortable with overall gearing of 0.93x as on March 31, 2024 (0.67x as on March 31, 2023). Interest coverage ratio, though moderated due to higher interest expenses, remained satisfactory at 4.24x in FY24 (3.83x in FY23). TD/GCA stood at 4.44x in FY24 (3.67x in FY23). The company is incurring large debt-funded capex, which is expected to deteriorate capital structure and debt protection metrics in the medium term. CARE Ratings notes that higher-than-envisaged debt-funded capex may weaken the financial risk profile, which will remain key monitorable going forward.

Experienced promoter group with long track record of operations

KSH's promoters have been in the copper conductor's business for about five decades. Kushal Hegde, the Chairman, has experience of over five decades in manufacturing and infrastructure sectors. Second-generation entrepreneurs of the Hegde family, Rajesh Hegde and Rohit Hegde, have over two decades of industry experience and are ably supported by a second-tier management team with requisite experience and technical competence. Over its four decades of existence, the company has established significant presence in the copper winding wire industry, particularly CTC, PICC and enameled round copper or aluminium wire 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 copper wires and Transposed Cables in India. The company caters to reputed original equipment manufacturing (OEM) companies in India and globally. By servicing these OEMs, the company has developed long-term business relationship. These OEMs are majorly in power, railways, auto, and transformers, among others. The company has diversified customer base.

Key weaknesses**Project risk associated with planned large-sized debt-funded capex**

The company is in the process of enhancing its installed capacity and adding new products to its product portfolio. The capex of ~₹200 crore is expected to be incurred over FY25-FY26, which is largely debt funded. The company has incurred ~30-40% of the cost till September 30, 2024, funded through debt and internal accruals. The unit is expected to commence its operations by early FY26. The project is in early stage of completion, and exposed to project execution risk and stabilisation risk. CARE Ratings notes that time or cost overruns may strain liquidity and will remain key monitorable going forward.

Modest profitability

KSH either undertakes end-to-end work, outright sales or on job-work basis. Considering relatively low value addition of winding wires, the company's PBILDT margins remained modest and in the range of 4%-6%. With fixed fabrication rate per tonne, copper prices are inversely proportional to profitability margins. PBILDT margins remained relatively stable at 5.53% in FY24 against 5.32% in FY23. CARE Ratings expects PBILDT margins to remain modest in the medium term.

Exposure to volatility of copper prices

Major raw material used in manufacturing is copper, which forms ~90% of the company's total operating cost. KSH books raw material on receipt of confirmed orders only. The company procures copper in back-to-back arrangement with suppliers against confirmed orders, where customer prices the copper with KSH and KSH with its suppliers, mitigating raw material price volatility impact to a larger extent.

End-user concentration

Products manufactured by KSH find applications in power industry, railways, automobiles, consumer durables and industrial segments. However, a large portion of the revenue is derived from catering to power industry. This exposes the company's operations towards 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 the automobile sector, consumer durables and industrial sector.

Liquidity: Adequate

The company's liquidity is characterised by healthy cushion in accruals against repayment obligations. GCA are expected to be in the range of ₹45 crore – ₹50 crore in FY25 against debt repayment obligations ~₹7-8 crore. This leaves sufficient headroom for internal funds to contribute to capital expenditure. However, going forward, repayment obligations are expected to increase and be in the range of ₹14-20 crore. The company's operations are moderately working capital intensive as indicated by an operating cycle of 63 days as on March 31, 2024 (70 days as on March 31, 2023), with the average bank limit utilisation averaging at ~62% for 12-months ended September 30, 2024. To support the growing scale of operations, the company has been increasing its working capital limits.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Capital goods	Industrial products	Cables - electricals

Incorporated in July 1979 and Pune-based, KSH is promoted by Kushal S Hegde. It is among leading manufacturers of CTC and PCCC in India and supplies its products locally and internationally to global large equipment OEMs in regions like USA, Middle East, Bangladesh, among others. The company has three plants with a total manufacturing capacity of 29,000 MTPA for PCCC, CTC and round wires.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	1,054.39	1,387.56	905.15
PBILDT	56.11	76.73	50.86
PAT	26.61	37.35	27.08
Overall gearing (times)	0.67	0.93	NA
Interest coverage (times)	3.83	4.24	3.81

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

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-Term Loan		-	-	30/09/2027	195.96	CARE A-; Stable
Fund-based-Short Term		-	-	-	20.00	CARE A2
Fund-based/Non-fund-based-LT/ST		-	-	-	70.00	CARE A-; Stable / CARE A2
LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC		-	-	-	35.00	CARE A-; Stable / CARE A2
LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC		-	-	-	75.00	CARE A-; Stable / CARE A2
Non-fund-based - ST-BG/LC		-	-	-	9.00	CARE A2

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	LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	LT/ST	35.00	CARE A- ; Stable / CARE A2	-	1)CARE A- ; Stable / CARE A2 (18-Dec-23)	1)CARE A- ; Positive / CARE A2 (30-Nov-22)	1)CARE A- ; Stable / CARE A2 (03-Nov-21)
2	Fund-based - LT-Term Loan	LT	195.96	CARE A- ; Stable	-	1)CARE A- ; Stable (18-Dec-23)	1)CARE A- ; Positive (30-Nov-22)	1)CARE A- ; Stable (03-Nov-21)
3	Non-fund-based - ST-BG/LC	ST	9.00	CARE A2	-	1)CARE A2 (18-Dec-23)	1)CARE A2 (30-Nov-22)	1)CARE A2 (03-Nov-21)
4	LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	LT/ST	75.00	CARE A- ; Stable / CARE A2	-	1)CARE A- ; Stable / CARE A2 (18-Dec-23)	1)CARE A- ; Positive / CARE A2 (30-Nov-22)	1)CARE A- ; Stable / CARE A2 (03-Nov-21)
5	Fund-based/Non-fund-based-LT/ST	LT/ST	70.00	CARE A- ; Stable / CARE A2	-	1)CARE A- ; Stable / CARE A2 (18-Dec-23)	1)CARE A- ; Positive / CARE A2 (30-Nov-22)	-
6	Fund-based-Short Term	ST	20.00	CARE A2	-	1)CARE A2 (18-Dec-23)	-	-

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-Term Loan	Simple
2	Fund-based-Short Term	Simple
3	Fund-based/Non-fund-based-LT/ST	Simple
4	LT/ST Fund-based/Non-fund-based-EPC / PCFC / FBP / FBD / WCDL / OD / BG / SBLC	Simple
5	Non-fund-based - ST-BG/LC	Simple

Annexure-5: Lender details

To view 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.

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About us:

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