Kineta Global Limited

December 11, 2024

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	33.00	CARE B+; Stable	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The reaffirmation of rating assigned to the bank facilities of Kineta Global Limited (KGL) is constrained by small scale of operations, fluctuating and thin profitability margins significant exposure towards group concerns, working capital intensive nature of business and moderate capital structure. The rating is further constrained by KGL's presence in fragmented industry and foreign exchange rate fluctuation risk. The rating, however, derives comfort from experienced promoters and established relationships with reputed clients.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Ability of the company to notably reduce group exposure from existing levels
- Significant improvement in working capital cycle to less than 200 days

Negative factors

- Significant deterioration in TOI and profitability margins by more than 30%
- Adjusted overall gearing deteriorating above 2x, in future

Analytical approach: Standalone

Outlook: Stable

The stable outlook derives comfort from the experience of the promoters and the established relationships in the trading space, which will continue to support the business.

Detailed description of the key rating drivers:

Key weaknesses

Modest scale of operations with modest finance risk profile

KGL is relatively small player engaged in trading of ferro alloys with limited value addition business coupled with high competition in the industry confines the pricing power of KGL, which in turn exerts pressure on its profitability.

During FY24, the total operating income declined by 52% due to lower income from trading activity as well as stagnant construction income. The income from the work orders during FY24 was 100% whereas income from trading activities was negligible in FY24. Owing to trading nature of business the margins continue to remain thin. The profitability margins of the company improved although remained fluctuating in past three years, despite of lower trading activities and more of the contract work. Furthermore, the PBILDT margins improved due to reduced input costs coupled with higher employee cost.

The leverage indicators, Total debt/GCA continues to remain high at 45.77x and interest coverage moderated at 1.13x. The adjusted gearing (adjusting investments in subsidiary and associate from net worth) remained moderately high at 1.04x.

Substantial exposure in form of investments and loans and advances extended by it to its subsidiaries/affiliates (not recognised as related party)

The company has made investments of Rs.49.62 Crore in Kineta International PTE Ltd, which is not having any operations since last three years. As per management this, payout may happen in next five years. Apart from these investments of Rs.8 crore are made in Deccan Infrastructure and Land holdings.

Fragmented and competitive nature of the trading business

The Ferro alloys and construction material trading industry is characterised by highly competitive, fragmented and cyclical business which is strongly correlated to economic cycles. Further, is also engaged in the construction activities as the subcontractors which

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

has very low entry barriers and there are huge number of unorganized players in the industry resulting in large competition. KGL generates around 50% of its revenue from export trading of iron ores and minerals, where there is no value addition.

Key strengths

Resourceful and experienced promoters with satisfactory track record

KGL was incorporated in April 2006 by Mr. V. Balashowry. Day to day operations of the business is managed by Mr V. Balashowry. who has over two decades of experience through his association with the company. He has experience in setting up and operation of group companies which manufactures burnt lime for supply to steel mills and paper mills, about two decades of experience in international trade of Manganese ore, Chrome ore, Iron ore Pellets, Iron Ore, Ferro Alloys, metallurgical coal, coke, Mill scale, Bitumen etc. The promoters are resourceful and have infused need based funds for smooth flow of business operations.

Reputed customer and supplier profile

Through the experience of over two and half decades in trading of Ferro alloys and construction materials, the company has garnered good relationship with various suppliers and customers. The company procures the ferro alloys from domestic markets and exports to China. Further, the customer and supplier base of the company stands substantially diversified with no significant contribution from a specific customer or supplier towards income or purchases respectively. Kineta Group has established reputed international supplier and customer network across the countries.

Improvement in orderbook during FY24 & H1FY25

KGL has an outstanding order book of Rs.67.61 crore as on November 30, 2024 which is to be executed by March 2025, which provides revenue visibility in the medium term. The company have already billed Rs 39 crores of order during H1FY25 and further, 4 new orders were bagged in last 6-9 months of Rs 81.51 crores. The projects undertaken by the company are mainly from Bokaro steel plant (a unit of Steel Authority of India Limited a Government of India Navratna company), NCC Ltd, Megha Engineering and Infrastructure Ltd , PLR Projects Ltd, Power Mech Projects Ltd. etc.

Liquidity: Stretched

In FY24, the working capital cycle days remained elongated 384 days, primarily due to higher inventory days and higher receivables. The average working capital limit utilisation remained high at 95-98% for last twelve month ended in September 2024. The working capital requirements are funded though working capital bank borrowings and GECL loans. Any delay in receipt of payment from customers remain critical for KGL to meet the debt obligation.

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
Construction
Wholesale Trading

About the company and industry

Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Commodities	Metals & Mining	Metals & Minerals Trading	Trading - Metals

KGL, earlier known as Kineta Minerals and Metals Ltd, was set up in Hyderabad (Andhra Pradesh [AP]) by Mr. V Balashowry in April 2006; the company trades in iron ore, building materials, cement, granite and TMT bars. It procures iron ore fines from small and big mine owners located around the port cities of Telangana and Andhra Pradesh. It exports nearly 100 per cent of the iron ore to China. To diversify the business, the company has also ventured into the subcontracting for the engineering, procurement and construction of irrigation projects.

Brief Financials (₹ crore)	March 31, 2022 (A)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	85.09	81.78	39.06
PBILDT	8.89	7.58	6.36
PAT	1.75	1.36	0.51
Overall gearing (times)	0.74	0.64	0.47
Interest coverage (times)	1.51	1.34	1.13

A: Audited UA: Unaudited; N.A. Not available; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA: CRISIL has migrated the rating on bank facilities of KGL under 'Issuer not cooperating' vide press release dated October 25, 2023 as the company did not provide the requisite information needed to conduct the rating exercise or did not provide the No Default Statements (NDS) for the last three months and is therefore classified as 'non cooperative'.
India Ratings has migrated the rating on bank facilities of KGL under 'Issuer not cooperating' vide press release dated May 15, 2024 due to lack of adequate data.

Any other information: Not applicable

Rating history for last three years: Please refer 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 along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	33.00	CARE B+; Stable

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 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 - LT-Cash Credit	LT	33.00	CARE B+; Stable	-	1)CARE B+; Stable (20-Dec-23)	1)CARE B+; Stable (02-Mar-23)	-

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

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not applicable

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

Note on the 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.

Contact us

Media Contact	Analytical Contacts
Mradul Mishra Director **CARE Ratings Limited** Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in **Relationship Contact** Saikat Roy Senior Director **CARE Ratings Limited** Phone: 91 22 6754 3404 E-mail: saikat.roy@careedge.in	Karthik Raj K Director **CARE Ratings Limited** Phone: +91-80- 4662 5555 E-mail: karthik.raj@careedge.in Niraj Thorat Assistant Director **CARE Ratings Limited** Phone: 914040102030 E-mail: Niraj.Thorat@careedge.in Mou Ghanty Analyst **CARE Ratings Limited** E-mail: Mou.ghanty@careedge.in

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