

Kunal Lohachem Private Limited

December 31, 2024

Facilities	Amount (₹ crore)	Rating ¹	Rating Action
Long-term bank facilities	6.00	CARE B; Stable	Reaffirmed

Details of facilities in Annexure-1.

Detailed Rationale & Key Rating Drivers

The rating assigned to the bank facilities of Kunal Lohachem Private Limited (KLPL) continue to remain constrained by small scale of operations, leveraged capital structure and weak debt protection metrics and presence in a highly competitive and fragmented industry. The rating, however, derives strength from KLPL's stable financial performance in FY24 (refers to period from April 01 to March 31) and experienced promoters having long track record of operations.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Increase in scale of operation and PBILDT margin exceeding 3% on sustained basis.

Negative factors

- Decline in scale of operations and reduction in PBILDT margin below 1%.
- Significant deterioration in liquidity position.

Analytical approach: Standalone

Outlook: Stable

CARE Ratings believes that the entity shall sustain its moderate financial risk profile over the medium term.

Detailed description of key rating drivers:

Key weaknesses

Small scale of operation

KLPL is a small player in steel wire trading segment, having an annual turnover of Rs.96.14 crore and total capital employed of Rs.49.14 crore in FY24. The net worth of the company as on March 31, 2024, stood at Rs.15.34 crore. The small size deprives the company of benefits of economies of scale and restricts the financial flexibility of the company in times of stress.

Leveraged capital structure and weak debt protection metrics

The company's capital structure marked by overall gearing though witnessed improvement, continued to remain leveraged at 2.20x as on March 31, 2024 (2.39x as on March 31, 2023) with high reliance on unsecured loans.

Debt protection metrics marked by TDGCA continues to remain weak at 44.67x as on March 31, 2024 (42.60x as on March 31, 2023). PBILDT interest coverage ratio stood at 0.94x in FY24 (1.34x in FY23).

Presence in highly competitive and fragmented industry

The steel wire trading industry is highly fragmented and competitive marked by presence of numerous players across India. Hence, the players in the industry lacks pricing power and are exposed to competition induced pressures on profitability.

Key strengths

Stable financial performance in FY24

KLPL's total operating income witnessed a y-o-y growth of 31.42% in FY24 to Rs.96.14 crore from Rs.73.15 crore in FY23 due to increase in sales volume. Given the trading nature of business and intense competition, KLPL continues to operate on a thin margin. PBILDT margin witnessed moderation from 1.54% in FY23 to 0.81% in FY24 due to increase in prices of traded goods. With moderation in operating margin, PAT margin also witnessed moderation. The company earned GCA of Rs.0.76 crore vis-à-vis debt repayment obligation of Rs.0.40 crore in FY24.

Experienced promoters having long track record of operations

KLPL is promoted by S. K. Jain, having around a decade of experience in trading of steel products and is involved in the strategic planning and the day-to-day operations of the company. Furthermore, KLPL commenced operations in May 1997 and accordingly has a track record of around two decades.

Liquidity: Stretched

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

Stretched liquidity profile marked by low gross cash accruals of Rs. 0.76 crore against debt repayment obligation of Rs.0.40 crore in FY24. The average utilisation of fund-based limits was around 72.58% during the last 12 months period ended October 2024. The working capital cycle of the company improved from 38 days in FY23 to 22 days in FY24. The average collection period improved from 48 days in FY23 to 38 days in FY24 mainly due to a significant increase in turnover with only a slight increase in the debtors. The company has free cash and bank balance of Rs. 0.27 crore as on March 31, 2024. Current ratio stood at 3.54x as on March 31, 2024 (3.40x as on March 31, 2023).

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Wholesale Trading](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Services	Services	Commercial Services & Supplies	Trading & Distributors

Incorporated in May 1997, KLPL is engaged in the trading of Hard Bright (H.B) wire, Galvanised Iron (G.I) wire and MS Round bar, Barbed wire and Wire Nails. Apart from this, the company is also engaged in job work for converting H.B wire into G.I wires. The products sold by KLPL are largely used in industries like power, construction, automobile, engineering, etc. The company mainly sells its products to dealers and retailers located in Chhattisgarh. The day-to-day affairs of the company are looked after by Dhan Bahadur.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	73.15	96.14
PBILDT	1.12	0.78
PAT	0.79	0.73
Overall gearing (times)	2.39	2.20
Interest coverage (times)	1.34	0.94

A: Audited; 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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	6.00	CARE B; Stable

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 - LT-Cash Credit	LT	6.00	CARE B; Stable	-	1)CARE B; Stable (07-Dec-23)	1)CARE B; Stable (06-Oct-22)	1)CARE B; Stable (18-Feb-22)

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

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.

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About us:

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