KSH International Private Limited (REVISED)

August 18, 2017

Ratings

Facilities	**Amount (Rs. crore)**	**Rating**[1]	**Rating Action**
Long term Bank Facilities	86.31 [enhanced from 56.29]	**CARE BBB+; Stable [Triple B plus; Outlook: Stable]**	Revised from CARE BBB [Triple B]
Short term Bank Facilities	10.00	**CARE A3+ [A Three Plus]**	Revised from CARE A3 [A three]
Total Facilities	**96.31 [Rupees Ninety Six crore Thirty One lakh only]**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in ratings assigned to the bank facilities of KSH International Private Limited (KSH) take into account the improvement in operating profit margins backed by enhanced operating efficiency during FY17 (refers to April 1 to March 31) and improved debt coverage indicators.

The ratings continue to derive strength from the strong and experienced promoter group, leading position in manufacturing of CTC and Insulated Copper conductors in India, long association with a reputed and diversified customer base across various geographies and enhanced focus on value-added products.

The rating strengths are constrained by high dependence on the power sector as the end user industry and moderate scale of operations.

Any debt funded capital expenditure impacting the credit profile is key rating sensitivity.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced promoter group with established track record of operations

The promoters of KSH have been in the copper conductors business for about four decades. Mr Kushal Hegde, the Chairman and Managing Director is having experience of five decades in the manufacturing and infrastructure sectors.

Long association with a reputed and diversified customer base, reducing geographic and customer concentration risk

KSH has a reputed and established customer base in the domestic and international markets, with lower credit risk.

Low counterparty risk

Majority of sales of KSH are backed by letter of credit or bills discounting thereby largely securing the realizations.

Expected benefits from capital expenditure augmentation program in the value added product division

CTC is a value added as compared to PICC and due to its advantages over the conventional paper insulated rectangular wires CTC fetches a premium over PICC. There has been increase in the manufacturing capacity of CTC and PICC over the years from 14,000MTPA to 20,000MTPA.

[1] *Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

Improvement in operating efficiency with moderate growth in revenues
On the back of increase in the demand, overall operating efficiency is achieved with the improved capacity utilization backed by addition in the capacities over the years. The major part of the growth in demand was for high value CTC products in domestic markets as well as international market.

Financial risk profile marked by improved profit margins and moderate capital structure and debt coverage indicators
During FY17 the net sales of KSH showed growth of ~3.62% in terms of value. PBILDT margin improved to 12.17% during FY17 as against 9.75% in FY16 on account of overall decline in procurement cost of copper which is having fluctuating trend. Long term debt to equity ratio stood at 0.39x as on March 31, 2017 (P.Y.: 0.31x). Overall gearing stood at 0.93x as on March 31, 2017 (P.Y.: 0.93x). Total debt to GCA was improved to 3.58x during FY17 (P.Y.:4.06x). Improved profit margins and lower interest cost resulted in improvement in interest coverage ratio to 3.74x during FY17 (P.Y.2.65x).

Revenue visibility backed by annual contracts with the customers
KSH enters into annual contracts with its customers, wherein the customer agrees to purchase a fixed quantity of conductors from KSH. This gives assured revenue for KSH.

Impact of volatile raw material prices minimized through order backed purchases
The company follows the policy of booking the entire raw material requirement at the time of confirmation of order from customers. Hence, the impact of volatile copper prices is mitigated as a result of its order-backed procurement system.

Key Rating Weaknesses
Revenue concentration towards single end user industry
The products manufactured by KSH find applications in power industry. This exposes the company's operations towards any delays in execution of power projects and government policies regarding power sector. Though the majority of the revenue is concentrated towards power sector, the company, over the years has been diversifying its customer base by securing orders from railways.
In power sector, the company's major revenue is derived from transmission and distribution, and renewables segment. The long-term demand outlook for the domestic transmission and distribution industry/renewables sector is expected to be favorable due to the focus on reforms in transmission and distribution segment and investments lined up in the power generation sector including Ujwal DISCOM Assurance Yojana (UDAY) scheme to bridge the demand-supply gap in a cost effective manner, hence, insulating the company to a certain extent.

Analytical approach: Standalone

Applicable Criteria
Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition
Criteria for Short Term Instruments
Rating Methodology-Manufacturing Companies
Financial ratios – Non-Financial Sector

About the Company

Incorporated in July 1979 and based in Pune, KSH International Private Limited (KSH) is promoted by Mr. Kushal S Hegde. KSH international is a leading manufacturer of rectangular Insulated Copper Conductors for the past three decades. KSH today is the largest manufacturer of CTC and Insulated Copper conductors in India and supplying its products both locally and internationally to global large equipment OEM's in regions like Middle East, Japan, Bangladesh and Europe. The company has two plants with a total manufacturing capacity of 20,000 MTPA.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	294.21	305.89
PBILDT	28.68	37.21
PAT	*14.79	13.85
Overall gearing (times)	0.93	0.93
Interest coverage (times)	2.65	3.74

A: Audited

**Includes prior period adjustment for depreciation of Rs.8.97 crore.*

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

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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About CARE Ratings:

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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-Cash Credit	-	-	-	60.00	CARE BBB+; Stable
Fund-based - LT-Term Loan	-	-	March 2022	26.31	CARE BBB+; Stable
Non-fund-based - ST-BG/LC	-	-	-	9.00	CARE A3+
Non-fund-based - ST-Forward Contract	-	-	-	1.00	CARE A3+

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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Cash Credit	LT	60.00	CARE BBB+; Stable	-	1)CARE BBB (01-Sep-16)	1)CARE BBB (12-Aug-15)	1)CARE BBB- (08-Aug-14)
2.	Fund-based - LT-Term Loan	LT	26.31	CARE BBB+; Stable	-	1)CARE BBB (01-Sep-16)	1)CARE BBB (12-Aug-15)	1)CARE BBB- (08-Aug-14)
3.	Non-fund-based - ST-BG/LC	ST	9.00	CARE A3+	-	1)CARE A3 (01-Sep-16)	1)CARE A3 (12-Aug-15)	-
4.	Non-fund-based - ST-Forward Contract	ST	1.00	CARE A3+	-	1)CARE A3 (01-Sep-16)	1)CARE A3 (12-Aug-15)	-

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