

Rating Update

December 12, 2024 | Mumbai

Krypton Industries Limited

Update as on December 12, 2024

This update is provided in continuation of the rating rational below.

The key rating sensitivity factors for the rating include:

Upward factors:

- Sustained increase in revenue by 30-40% and stable operating margin, leading to higher cash accrual.
- Significant improvement in working capital cycle.

Downward factors:

- Decline in net cash accruals to below Rs 2 crore on account of decline in revenue or operating profit.
- Substantial increase in working capital requirement and/or large, debt-funded capital expenditure further weakening capital structure and exerting pressure on liquidity.

CRISIL Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, CRISIL Ratings seeks regular updates from companies on the business and financial performance. CRISIL Ratings is, however, awaiting adequate information from Krypton Industries Limited (KIL) which will enable us to carry out the rating review. CRISIL Ratings will continue provide updates on relevant developments from time to time on this credit.

CRISIL Ratings also identifies information availability risk as a key credit factor in the rating assessment as outlined in its criteria 'Information Availability Risk in Credit Ratings'.

About the Company

Established in 1991, KIL manufactures tubeless PU tyres, tubes, wheels, wheelchairs and other components for rehabilitation care. Its manufacturing facility is in Falta Export Processing Zone, West Bengal.

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Rating Rationale

September 27, 2023 | Mumbai

Krypton Industries Limited

Ratings reaffirmed at 'CRISIL BB/Stable/CRISIL A4+'

Rating Action

Total Bank Loan Facilities Rated	Rs.20.1 Crore
Long Term Rating	CRISIL BB/Stable (Reaffirmed)
Short Term Rating	CRISIL A4+ (Reaffirmed)

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1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has reaffirmed its 'CRISIL BB/Stable/CRISIL A4+' ratings on the bank facilities of Krypton Industries Limited (KIL).

The ratings continue to reflect experienced management, established customer relationships and moderate financial risk profile. These strengths are partially offset by moderate revenue profile and large working capital requirement.

Analytical Approach

CRISIL Ratings has combined the business and financial risk profiles of KIL and its 90% subsidiary, Krypton Europe S.R.O. (KES). This is because these entities, collectively referred to as Krypton, have common promoters and are in the same business.

Please refer Annexure - List of Entities Consolidated, which captures the list of entities considered and their analytical treatment of consolidation.

Key Rating Drivers & Detailed Description

Strengths:

Experienced management and established customer relationships: Presence of about 3 decades in the PU tyre, rim & wheel industry has enabled the promoters to gain understanding of the market and establish relationship with customers and suppliers leading to steady revenue generation from the segment. Extensive experience of promoters is expected to support KIL in ramping up its scale of operations in hospital equipment segment, strengthening overall business risk profile over the medium term.

Moderate financial risk profile: Networth of Rs 30.88 crore as on March 31, 2023 support capital structure, yielding gearing and total outside liabilities to total networth (TOL/TNW) ratios of 0.47 time and 0.73 time respectively for fiscal 2023. The debt protection metrics were also comfortable with interest coverage and net cash accrual to adj debt ratios of 2.57 times and 0.19 time, respectively, as on March 31, 2023. KIL has undertaken capital expenditure (capex) for expanding its wheelchair production capacity, to be funded by term loans of Rs 3.2 crore. Despite the capex, financial risk profile is expected to remain comfortable over the medium term.

Weaknesses:

Moderate revenue profile: Revenue of Rs 33.53 crore in fiscal 2023 is marked by 25% de-growth on account of lower order inflow from large customers. However, recovery is observed in Q1 fiscal 2024, with revenue of Rs 7.77 crore against Rs 6.65 crore in Q1 fiscal 2023. KIL has confirmed orders of more than Rs 6 crore in Sept'23. Hence, improvement in scale of operations over the medium term is a key rating sensitivity factor.

Large working capital requirement: Operations are working capital intensive with gross current assets (GCAs) of 355 days as on March 31, 2023, driven by large inventory and debtors of 196 days and 77 days, respectively. Debtors are high due to limited bargaining power with customers. Inventory primarily consists of work in progress and finished goods

inventory. Furthermore, the company needs to maintain inventory of around 2-3 months to meet customer requirement on time. However, the working capital is partially supported by creditors of 70 days as on March 31, 2023. The operations of the company are expected to remain working capital intensive over the medium term.

Liquidity: Adequate

Bank limit utilization was moderate at 75% on average for the 12 months through August 2023. Net cash accrual in range of Rs 2.5-3 crore per fiscal is expected to be sufficient against repayment obligations of Rs 1-1.8 crore over the medium term. Current ratio was healthy at 2.5 times as on March 31, 2023. Comfortable networth and low gearing provide the financial flexibility required in case of any adverse conditions or downturn in the business. There were free cash bank balances and liquid investments of Rs 1.57 crore as on March 31, 2023.

Outlook: Stable

The company will continue to benefit from its established relationships with customers and moderate financial risk profile.

Rating Sensitivity factors

Upward factors

- Sustained increase in revenue by 30-40% and stable operating margin, leading to higher cash accrual.
- Significant improvement in working capital cycle.

Downward factors

- Decline in net cash accruals to below Rs 2 crore on account of decline in revenue or operating profit.
- Substantial increase in working capital requirement and/or large, debt-funded capital expenditure further weakening capital structure and exerting pressure on liquidity.

About the Company

Established in 1991, KIL manufactures tubeless PU tyres, tubes, wheels, wheelchairs and other components for rehabilitation care. Its manufacturing facility is in Falta Export Processing Zone, West Bengal.

Key Financial Indicators

As on / for the period ended March 31		2023	2022
Operating income	Rs crore	35.53	47.41
Reported profit after tax	Rs crore	1	0.68
PAT margins	%	3	1.4
Adjusted Debt/Adjusted Net worth	Times	0.47	0.37
Interest coverage	Times	2.57	4.51

Any other information: Not applicable

Note on complexity levels of the rated instrument:

CRISIL Ratings` complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

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Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs crore)	Complexity levels	Rating assigned with outlook
NA	Cash Credit	NA	NA	NA	3	NA	CRISIL BB/Stable
NA	Cash Credit	NA	NA	NA	2.4	NA	CRISIL BB/Stable
NA	Letter of Credit	NA	NA	NA	2.65	NA	CRISIL A4+
NA	Packing Credit	NA	NA	NA	3	NA	CRISIL BB/Stable
NA	Proposed Fund-Based Bank Limits	NA	NA	NA	3.16	NA	CRISIL BB/Stable
NA	Term Loan	NA	NA	Mar-27	5.89	NA	CRISIL BB/Stable

Annexure – List of entities consolidated

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Names of Entities Consolidated	Extent of Consolidation	Rationale for Consolidation
Krypton Industries Limited	Full	Holding Company
Krypton Europe S.R.O.	Full	90% Subsidiary

Annexure - Rating History for last 3 Years

Instrument	Type	Current		2023 (History)		2022		2021		2020		Start of 2020
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	17.45	CRISIL BB/Stable		--	25-07-22	CRISIL BB/Stable / CRISIL A4+	18-06-21	CRISIL BB-/Stable / CRISIL A4+	18-03-20	CRISIL BB-/Stable / CRISIL A4+	CRISIL BB-/Stable / CRISIL A4+
Non-Fund Based Facilities	ST	2.65	CRISIL A4+		--	25-07-22	CRISIL A4+	18-06-21	CRISIL A4+	18-03-20	CRISIL A4+	CRISIL A4+

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Cash Credit	2.4	Bank of Baroda	CRISIL BB/Stable
Cash Credit	3	Bank of Baroda	CRISIL BB/Stable
Letter of Credit	2.65	Bank of Baroda	CRISIL A4+
Packing Credit	3	Bank of Baroda	CRISIL BB/Stable
Proposed Term Loan	3.16	Not Applicable	CRISIL BB/Stable
Term Loan	5.89	Kotak Mahindra Bank Limited	CRISIL BB/Stable

Criteria Details

Links to related criteria
CRISILs Approach to Financial Ratios
Rating criteria for manufacturing and service sector companies
CRISILs Bank Loan Ratings - process, scale and default recognition
The Rating Process
Understanding CRISILs Ratings and Rating Scales
CRISILs Criteria for Consolidation

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