



Press Release

K C India Limited

November 12, 2024

Ratings

Security / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	144.00 (enhanced from 134.00)	IVR BBB; Stable (IVR Triple B with Stable Outlook)	IVR BBB; Stable (IVR Triple B with Stable Outlook)	Reaffirmed	Simple
Short Term Bank Facilities	3.26	IVR A3+ (IVR A Three Plus)	IVR A3+ (IVR A Three Plus)	Reaffirmed	Simple
Total	147.26 (Rupees One hundred forty-seven crore and twenty-six lakh only)				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

The reaffirmation of the ratings assigned to the bank facilities of K C India Limited (KCIL) continues to draw comfort from its long track record of operations under experienced promoters and locational advantage of its plant for being located near to the raw material procurement area. The ratings are further underpinned by moderate capital structure of the company with moderate debt protection metrics. The ratings also note stable business performance of KCIL in FY24 (FY refers to the period from April 1 to March 31) and subsequently in H1 FY25. However, these rating strengths remain constrained by vulnerability of the company's profitability to adverse fluctuations in the guar seed prices, exposure to industry risks and working capital intensive nature of its business.

Infomerics Ratings has assigned stable outlook considering the factor that the company will continue to maintain its stable business performance in the near term with limited capital expenditure (capex) plans and established relationships with customers and suppliers.

Key Rating Sensitivities:

Upward Factors

- Growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals on a sustained basis



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- Sustenance of the capital structure with improvement in debt protection metrics
- Improvement in working capital management leading to improvement in operating cycle and liquidity

Downward Factors

- Decline in revenue and/or moderation in profitability leading to deterioration in debt protection metrics
- Impairment in the capital structure with moderation in overall gearing to over 1.5x
- Increase in operating cycle impacting the liquidity

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Long track record of operations under experienced promoters

Being incorporated in 1995, KCIL has a long track record of operations in the guar gum industry. KCIL was incorporated as closely held public limited company by four promoters, namely, Mr Purushottom Lal Jaisansaria, Mr Shivshanker Jaisansaria, Mr Ashish Jaisansaria and Ms Snehlata Jaisansaria in 1995. Mr Purushottom Lal Jaisansaria has more than four decades of experience in the agro commodity business. He looks after the production and purchase functions of the company. Mr Shivshanker Jaisansaria also has more than four decades of experience in the agro commodity business and looks after the finance functions. Both the directors have more than 15 years of experience in the guar gum industry. All the directors are actively engaged in the day-to-day operations of the company. Long standing business experience of the promoter has helped the company to build established relationships with both customers and suppliers.

Locational advantage

The manufacturing facility of KCIL is located at Sardarshahar, Rajasthan which is situated near Jodhpur, Ganganagar, Bikaner, Hanumangarh and Haryana. The proximity of manufacturing facilities provides strategic advantage to the company as Jodhpur/Ganganagar/Bikaner is the key marketing and trading hub for guar seeds, guar refined splits etc. KCIL procures majority of its raw material (guar seed) requirement directly from agents and split processing units (SPU). KCIL's proximity to these guar growing regions ensures the regular supply of raw material at lower transportation cost. The company procures



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its raw materials back-to-back only on the basis of confirmed orders. Raw materials are purchased either on cash or advance payment.

Stable business performance in FY24 and in H1FY25

KCIL's products find applications in varied industries such as oil Drilling, Gas explorations, dairy products, food items, bakery, pharmaceuticals, textiles, paper, construction food & beverages, mining & explosives, paper manufacturing, pharmaceuticals, cosmetics, etc. In FY24, the company generated most of its revenues by catering to FMCG industry followed by Oil & exploration. The total operating income (TOI) of the company remained stagnant with marginal y-o-y moderation by ~1.5% at Rs.452.18 crore in FY24 as compared to Rs.459.05 crore in FY23. The moderation in TOI was mainly due to decline in exports sales by ~2.74% during the year. However, operating profit margin has improved from 2.27% in FY23 to 3.68% in FY24 on account of lower freight & forwarding charges. Further, diversification of products as per the requirements of varied industries had helped company to garner consistent increase in orders and post improved margins. In H1FY25, the company has achieved a revenue of Rs.258.25 crore.

Moderate capital structure with moderate debt protection metrics

The overall gearing ratio continues to remain moderate with further moderation to 1.33x as on March 31, 2024 as compared to 1.03x as on March 31, 2023 mainly due to higher utilisation of bank borrowings as on the balance sheet date. Total indebtedness marked by TOL/TNW though moderated to 1.82x as on March 31, 2024 as compared to 1.55x as on March 31, 2023 continues to remain satisfactory. Debt coverage indicator as indicated by interest coverage also moderated to 2.27x in FY24 as compared to 2.56x in FY23 due to increase in finance charges attributable to increase in total debt. However, Total debt to EBITDA and Total debt to GCA continues to remain stretched at 8.07x and 18.19x respectively as on March 31, 2024 (9.52x and 14.38x respectively as on March 31, 2023).

Key Rating Weaknesses

Vulnerability of the company's profitability to adverse fluctuations in the guar seed prices

Guar seed production is susceptible to seasonality and crop harvest which may impact guar seed production and consequently may have adverse impact on profitability.

Exposed to industry risks



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The guar gum industry is marred with challenges such a threat from a slowdown in its user industries and susceptibility to volatile raw material prices. The market price of the end product, guar gum, varies widely according to the movement in crude oil prices oil & drilling industry being one of the major buyer. Further, guar gum industry is highly fragmented and intensely competitive, limiting its pricing flexibility.

Working capital intensive nature of business

The operation of the company remained working capital intensive over the past three years marked by its elongated gross current asset (GCA) days mainly due to significant amount of money blocked in inventory. The GCA days stood at 206 days in FY24 (169 days in FY23). KCIL has to maintain high inventory holding of raw materials to maintain uninterrupted production. The operating cycle of the company moderated in FY24 to 87 days from 81 days in FY23 with increase in average inventory holding and average debtors collection period.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies.](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\).](#)

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)

Liquidity – Adequate

The liquidity position of the company is expected to remain satisfactory in the near to medium term marked by adequate cushion in expected accruals as against its minimal debt repayment obligations. The average working capital limit remained utilised at ~72.5% during the past 12 months ended September 2024 indicating a moderate liquidity buffer.

About the Company

Incorporated in 1995, KCIL is an ISO 9001:2008 certified closely held public limited company, presently engaged in manufacturing & marketing of Guar Gum Powder, Fast Hydrating Guar, 4 Guar Refined Splits, Guar Meal and Guar Derivatives. KCIL's manufacturing plant is located at Sardarshahar, Rajasthan with an installed capacity of 12,500 MTPA for Guar Gum Powder.



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Financials (Standalone):

	(Rs. crore)	
For the year ended/ As on*	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	459.05	452.18
EBITDA	10.42	16.64
PAT	4.53	5.10
Total Debt	99.19	134.35
Tangible Net Worth	96.31	101.41
EBITDA Margin (%)	2.27	3.68
PAT Margin (%)	0.98	1.13
Overall Gearing Ratio (x)	1.03	1.33
Interest Coverage (x)	2.56	2.27

* Classification as per Infomerics' standards.

Status of non-cooperation with previous CRA: The ratings of K C India Limited has been continued to be classified under Issuer Not Cooperating category by Brickwork ratings as per Press Release dated June 20, 2024, due to unavailability of information.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Security/Facilities	Current Ratings (Year 2024-2025)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24		
					Jan 10, 2024	Dec 29, 2023	Jun 07, 2023
1.	Cash Credit	Long Term	5.00	IVR BBB; Stable	IVR BBB; Stable	IVR BBB; Stable	IVR BBB; Stable
2.	EPC/ PCFC	Short Term	83.00	IVR A3+	IVR A3+	IVR A3+	IVR A3+
3.	FOBP/FOUBP/F OBNLC	Short Term	33.00	IVR A3+	IVR A3+	IVR A3+	IVR A3+
4.	Expo Gold Card	Short Term	23.00	IVR A3+	IVR A3+	IVR A3+	IVR A3+
5.	Forward Contract	Short Term	3.26	IVR A3+	IVR A3+	IVR A3+	IVR A3+

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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Annexure 1: Instrument/Facility Details



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Name of Facility/ Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	-	5.00	IVR BBB; Stable
EPC/ PCFC	-	-	-	-	83.00	IVR A3+
FOBP/FOUBP/F OBNLC	-	-	-	-	33.00	IVR A3+
Expo Gold Card	-	-	-	-	23.00	IVR A3+
Forward Contract	-	-	-	-	3.26	IVR A3+

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-KC-India-nov24.pdf>

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: Not Applicable

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.