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ICRA assigns LBBB- and A3 ratings for bank facilities of Karamtara Fasteners Private Limited

ICRA has assigned an LBBB- (pronounced L triple B minus) rating to the Rs. 35 million, fund-based bank facilities and the Rs. 65.3 million, term loans of Karamtara Fasteners Private Limited (KFPL)[†]. The outlook on the long-term rating is "stable". ICRA has also assigned an A3 (pronounced A three) rating to the Rs. 150 million, non-fund based bank facilities of KFPL.[†]

The assigned ratings take into account the experience of the promoters in the fasteners manufacturing business; the operational synergy and financial flexibility enjoyed by KFPL being a part of Karamtara Group, which has been in the business of manufacturing transmission and telecom towers for more than a decade; and its strong revenue growth, on the back of an improved operating profitability. The ratings also reflect the favorable demand outlook of the power sector, KFPL's primary customer segment; its price variation clauses with customers, which secures the margins to some extent; its moderate capital structure and healthy return on capital employed. However, the ratings are constrained by the modest scale of operations of KFPL, with limited bargaining power as compared to suppliers and customers; high competitive pressures arising out of fragmented nature of the industry; and high customer concentration risk, as top five customers contribute to almost 75% of the total sales. Going forward the operating performance of KFPL would hinge on its cost optimization efforts, augmentation of its product portfolio to cater to other industries, and its management's adherence to conservative financial policies.

Company Profile:

Incorporated in 2004, KFPL is engaged in the manufacture of fasteners catering to transmission and telecom tower segment and is part of the Karamtara Group. KFPL's manufacturing facility is located at Tarapur, Boisar in Thane district of Maharashtra, where it is equipped with cold forging unit for upto 24 mm diameter bolts, hot forging unit for upto 72 mm diameter bolts and hot dip galvanizing plant. Currently, the total installed capacity of the plant is 7200 MTPA.

Recent Results:

In 2008-09, KFPL made a net profit of Rs. 16.8 million on the back of net sales of Rs. 523.4 million. In the first half of 2009-10, KFPL recorded a net profit of Rs. 12.6 million on the back of net sales of Rs. 215.4 million.

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ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

[†] For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.

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