

October 04, 2022

## Kala Jyothi Process Pvt. Ltd.: Ratings reaffirmed

### Summary of rating action

Instrument*	Previous Rated	Current Rated	Rating Action
	Amount (Rs. crore)	Amount (Rs. crore)	
Fund-based – Working capital	19.00	19.00	[ICRA]BBB-(Stable); reaffirmed
Fund-based – Term loans	25.11	3.81	[ICRA]BBB-(Stable); reaffirmed
Unallocated limits	9.59	30.89	[ICRA]BBB-(Stable)/[ICRA]A3; reaffirmed
<b>Total</b>	<b>53.70</b>	<b>53.70</b>	

\*Instrument details are provided in Annexure-I

### Rationale

The ratings reaffirmation continues to factor in the diversified revenue profile of Kala Jyothi Process Pvt. Ltd. (KJPPL) with revenues from the printing division (accounting for ~90% of the total revenues in FY2022), and fixed rental income from the commercial space leased to IT companies in Kondapur, Hyderabad (~10% of total revenues in FY2022). Further, in the printing division, KJPPL provides printing services to a leading daily newspaper in Andhra Pradesh and earns job work income of a minimum Rs. 0.80 crore per month. Further, KJPPL is constructing a new building of 0.132 mn sqft in Hyderabad, for which tenant is already in place and the rentals are likely to commence from Q2-Q3 FY2024. The ratings consider the reputed client base with repeat orders over the years with moderate customer concentration. ICRA also notes the established presence of KJPPL in the printing industry for more than seven decades with presence in printing of magazines, books, annual reports, newspapers, packaging boxes etc.

The ratings are, however, constrained by KJPPL's moderate scale of operations and vulnerability of margins to raw material prices in printing division. The margins declined to 24.6% in FY2022 (PY: 31.8%) due to increase in raw material prices. The operating income (OI) increased by 37% to Rs. 93.5 crore in FY2022 and is likely to further improve by 5-6% in FY2023, however, it is likely to remain moderate. Further, KJPPL is exposed to project execution risk for the new building being constructed at cost of Rs. 29.0 crore and expected to be completed in Q1 FY2024. ICRA notes the intense competition in the printing industry, which is characterised by the presence of multiple players, along with threat from alternative digital media like e-books and e-newspapers.

The Stable outlook on the [ICRA]BBB- rating reflects ICRA's opinion that KJPPL will continue to benefit from the fixed rental, job work income and relationships with reputed clientele, resulting in repeat orders.

### Key rating drivers and their description

#### Credit strengths

**Established operational track record of more than seven decades in printing business** – KJPPL is in the printing business for more than seven decades since 1946. Over the years, it has established its brand name in the industry with presence in printing of magazines, books, annual reports, newspapers, packaging boxes etc.

**Diversified revenue with fixed rental income and job work income-** The company has diversified revenue streams from the printing division (~90% of total revenues in FY2022) and fixed rental income from the commercial space leased to IT companies in Kondapur, Hyderabad (10% of total revenues). Further, in the printing division, KPPL provides printing services to a leading daily newspaper in Andhra Pradesh and earns job work income of a minimum of Rs. 0.80 crore per month. Further, KJPPL is constructing a new building of 0.132 mn sqft in Hyderabad, for which tenant is already in place and the rentals are likely to commence from Q2-Q3 FY2024.

**Reputed client base with repeat orders –** The company has a diversified and reputed clientele with repeat orders. The clientele includes Bennett, Coleman & Co. Ltd, Haymarket SAC Publications (P) Ltd, Kasturi & Sons Limited etc. The customer concentration risk is moderate with top 10 customers accounting for 42% of the total revenues in FY2022.

### Credit challenges

**Moderate scale of operations; and vulnerability of margins to raw material prices in printing division –** The scale of operations remains moderate at Rs. 93.5 crore in FY2022 despite increase by 37% and notwithstanding the expected improvement in OI by 5-6% in FY2023, the same is likely to remain moderate. The company’s operating margins are susceptible to fluctuations in raw material prices in the printing division – margins declined to 24.6% in FY2022 from 31.8% in FY2021 with increase in raw material prices.

**Exposed to inherent project execution risk –** The company is constructing a new building with leasable area of 0.132 mn sqft in Hyderabad at a cost of Rs. 29 crore, of which 43-44% of total cost has been incurred as on March 2022. The project is exposed to inherent execution risk. The project is entirely debt funded and is likely to be completed by April 2023. However, the market risk is mitigated with the lease agreement in place with Webwerks India Pvt Ltd, which will take up the entire building on rent.

**Intense competition and threat from alternative digital media –** The company faces significant competition in the printing industry with the presence of many players. Further, increased use of e-books and e-newspapers could be a major threat for the printing industry, reducing the demand for printing business to an extent.

### Liquidity position: Adequate

KJPPL’s liquidity position is adequate with external debt repayment obligations of ~Rs. 5.8 crore in FY2023, to be comfortably met from cash flow from operations. Further, the company has sanctioned working capital limits of Rs. 19 crore and the average utilization is moderate at 77% in the last 12 months ending May 2022. The company has capex plan worth Rs. 29 crore which is funded by LRD loan.

### Rating sensitivities

**Positive factors –** ICRA could upgrade KJPPL’s ratings if there is a healthy revenue growth while improving its return metrics. Specific credit metrics that could lead to ratings upgrade include Debt/OPBITDA below 2.5 times on a sustained basis

**Negative factors –** Pressure on KJPPL’s ratings could emerge in case there is any material decline in revenues and profitability indicators or a stretch in receivable cycle or significant incremental investments in group/associate companies impacting the liquidity position. A weakening in DSCR less than 1.2 times on a sustained basis may exert pressure on the company's ratings.

### Analytical Approach

Analytical Approach	Comments
Applicable rating methodologies	<a href="#">Corporate Credit Rating Methodology</a>
Parent/Group support	Not Applicable
Consolidation/Standalone	The rating is based on the standalone financial statements of the company

## About the company

KJPPL is a multi-dimensional printing press, with a track record of over seven decades in the printing industry. It was founded by the Late A. Ravindranath in 1946 as M/s. Jyothi Press at Tenali, in Guntur district of Andhra Pradesh. Later, it was moved to Hyderabad in 1957. In September 1989, it was registered as Kala Jyothi Process Pvt. Ltd. KJPPL carries out printing work for various segments comprising magazines, newspapers, journals, text books, annual reports, calendars, etc, through its printing units, two of which are situated in Hyderabad and one in Guntur, Andhra Pradesh. The facility located in RTC X Roads (Hyderabad) uses sheet-fed printing technology, while the Kondapur (Hyderabad) facility uses sheet-fed and web-fed printing technology. The Guntur facility uses web-fed printing. Besides, the company constructed a new facility near Raviryal, Rangareddy district, Telangana in FY2021. The production at the Kondapur facility would be shifted to this unit as it is in a commercial hub. It also owns two commercial buildings for which it receives fixed monthly rental income.

## Key financial indicators (audited)

ASM Technologies Ltd (Consolidated)	FY2021	FY2022*
Operating income (Rs. crore)	68.3	93.5
PAT (Rs. crore)	4.3	14.9
OPBDIT/OI	31.8%	24.6%
PAT/OI	6.3%	16.0%
Total outside liabilities/Tangible net worth (times)	1.4	1.2
Total debt/OPBDIT (times)	2.9	2.7
Interest coverage (times)	4.6	5.6

Source: Company data; PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation, \*Provisional financials

**Status of non-cooperation with previous CRA: Not applicable**

**Any other information: None**

## Rating history for past three years

Instrument	Current rating (FY2023)				Chronology of Rating History for the Past 3 Years		
	Type	Amount rated (Rs. crore)	Amount outstanding as on Mar 31, 2022 (Rs. crore)	Date & rating in FY2023	Date & rating in FY2022	Date & rating in FY2021	Date & rating in FY2020
				October 04, 2022	August 27, 2021	July 09, 2020	April 04, 2019
1 Cash credit	Long term	19.00	-	[ICRA]BBB-(Stable)	[ICRA]BBB-(Stable)	[ICRA]BBB-(Stable)	[ICRA]BBB-(Stable)
2 Term loans	Long term	3.81	3.81	[ICRA]BBB-(Stable)	[ICRA]BBB-(Stable)	[ICRA]BBB-(Stable)	[ICRA]BBB-(Stable)
3 Unallocated limits	Long term/Short term	30.89	-	[ICRA]BBB-(Stable)/[ICRA]A3	[ICRA]BBB-(Stable)/[ICRA]A3	[ICRA]BBB-(Stable)/[ICRA]A3	[ICRA]BBB-(Stable)/[ICRA]A3

## Complexity level of the rated instruments

Instrument Name	Complexity Indicator
Long-term Fund-based– Cash credit	Simple
Long-term Fund-based– Term loans	Simple
Long-term/Short term – Unallocated Limits	Not Applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

**Annexure I: Instrument details**

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Cash Credit	NA	NA	NA	19.00	[ICRA]BBB-(Stable)
NA	Term loan	May-15	NA	Apr-25	3.81	[ICRA]BBB-(Stable)
NA	Unallocated limits	NA	NA	NA	30.89	[ICRA]BBB-(Stable)/[ICRA]A3

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

**Annexure II: List of entities considered for consolidated analysis- Not applicable**

## ANALYST CONTACTS

**Rajeshwar Burla**  
+91 40 4067 6527  
[rajeshwar.burla@icraindia.com](mailto:rajeshwar.burla@icraindia.com)

**Mathew Kurian Eranat**  
+91 80 4332 6415  
[mathew.eranat@icraindia.com](mailto:mathew.eranat@icraindia.com)

**Anupama Reddy**  
+91 40 4067 6516  
[anupama.reddy@icraindia.com](mailto:anupama.reddy@icraindia.com)

**D Mohammed Rabbani**  
+91 40 4067 6532  
[d.rabbani@icraindia.com](mailto:d.rabbani@icraindia.com)

## RELATIONSHIP CONTACT

**Jayanta Chatterjee**  
+91 80 4332 6401  
[jayantac@icraindia.com](mailto:jayantac@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**  
Tel: +91 124 4545 860  
[communications@icraindia.com](mailto:communications@icraindia.com)

## Helpline for business queries

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

[info@icraindia.com](mailto:info@icraindia.com)

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## ICRA Limited



### Registered Office

B-710, Statesman House, 148, Barakhamba Road, New Delhi-110001

Tel: +91 11 23357940-45



### Branches



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