

August 27, 2021

Kala Jyothi Process Pvt. Ltd.: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund-based – Working Capital	19.25	19.00	[ICRA]BBB-(Stable) reaffirmed
Fund-based – Term Loans	32.78	25.11	[ICRA]BBB-(Stable) reaffirmed
Unallocated limits	1.67	9.59	[ICRA]BBB-(Stable)/[ICRA]A3 reaffirmed
Total	53.70	53.70	

*Instrument details are provided in Annexure-1

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 83% of total revenues in FY2021), and fixed rental income from the commercial space leased to IT companies in Kondapur, Hyderabad (17%). 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 Rs. 0.80 crore per month. Fixed job work and rental income helped improve its operating margins to 33.4% in FY2021 from 12.3% in FY2019. Further, the operating margins are expected to remain healthy at above 30% in FY2022. The ratings also factor in 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 with revenues declining by 16% in FY2021 owing to lower revenues from the printing division due to the Covid-19 pandemic. Notwithstanding the expected improvement in revenues by 7% to around Rs. 73.00 crore in FY2022, the same are likely to remain moderate. The company has significant debt repayment obligations of ~Rs. 11.9 crore in FY2022. However, the cash accruals would be comfortable for servicing these obligations. ICRA notes intense competition in the printing industry amid presence of a large number of 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 (83% of total revenues) and fixed rental income from the commercial space leased to IT companies in Kondapur, Hyderabad (17% 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. Fixed job work and rental income helped improve its operating margins to 33.4% in FY2021 from 12.3% in FY2019.

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 45% of the total revenues in FY2021.

Credit challenges

Moderate scale of operations – The scale of operations remained moderate and revenues declined to Rs. 67.8 crore in FY2021 from Rs. 81.1 crore in FY2020 due to lower revenues from the printing division mainly due to the pandemic. Notwithstanding the expected improvement in revenue by 7% to around Rs. 73.00 crore in FY2022, the same is likely to remain moderate.

High repayment obligations in the near term – The company has significant repayment obligation of ~Rs. 11.9 crore in FY2022. However, the cash accruals would be comfortable for servicing these obligations.

Intense competition and threat from alternative digital media – The company faces significant competition in the printing industry with the presence of a large number of 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 debt repayment obligations of ~Rs. 11.9 crore in FY2022, to be comfortably met from cash flow from operations. Further, the company has undrawn working capital limits of Rs. 3.72 crore as of July end, 2021. It has low capex plans of Rs. 3.00 crore in FY2022, which would be met from internal accruals.

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 DSCR above 1.5 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 delay in payments from customers, impacting the liquidity position. A weakening in interest coverage ratio to below 2.8 times and 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	Corporate Credit Rating Methodology
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 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. The company has also 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. The company also owns two commercial buildings for which it receives fixed monthly rental income.

Key financial indicators

Particulars	FY2020	FY2021*
Operating Income (Rs. crore)	81.14	67.80
PAT (Rs. crore)	3.40	5.07
OPBDIT/OI (%)	22.79%	33.45%
PAT/OI (%)	4.19%	7.48%
Total Outside Liabilities/Tangible Net Worth (times)	1.59	1.25
Total Debt/OPBDIT (times)	3.58	2.75
Interest Coverage (times)	3.08	4.76

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 (FY2022)			Chronology of Rating History for the past 3 years			
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in	Date & Rating in FY2021	Date & Rating in FY2020	Date & Rating in FY2019
					Aug 27, 2021	July 09, 2020	April 04, 2019	-
1	Cash Credit	Long-term	19.00		[ICRA]BBB-(Stable)	[ICRA]BBB-(Stable)	[ICRA]BBB-(Stable)	
2	Term Loans	Long-term	25.11	25.11*	[ICRA]BBB-(Stable)	[ICRA]BBB-(Stable)	[ICRA]BBB-(Stable)	
3	Unallocated Limits	Long-term/Short-term	9.59		[ICRA]BBB-(Stable)/[ICRA]A3	[ICRA]BBB-(Stable)/[ICRA]A3	[ICRA]BBB-(Stable)/[ICRA]A3	

Amount in Rs. Crore; *As on March 31, 2021

Complexity level of the rated instrument

Instrument	Complexity Indicator
Long-term Fund-based– Cash credit	Simple
Long-term Fund-based– Term Loans	Simple
Long-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, is available on ICRA's website: www.icra.in

Annexure-1: Instrument details

ISIN No/Banker Name	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
Karur Vysya Bank	Secured Overdraft				19.00	[ICRA]BBB-(Stable)
HDFC Bank	Term Loan 1	May-15		Apr-25	1.48	[ICRA]BBB-(Stable)
Karur Vysya Bank	Term Loan 2	Sep-16		Nov-21	0.12	[ICRA]BBB-(Stable)
Karur Vysya Bank	Term Loan 3	Nov-15		Feb-22	2.81	[ICRA]BBB-(Stable)
Karur Vysya Bank	Term Loan 4	July-19		Dec-26	20.69	[ICRA]BBB-(Stable)
NA	Unallocated Limits				9.59	[ICRA]BBB-(Stable)/[ICRA]A3

Source: Company

Annexure-2: List of entities considered for consolidated analysis

Not applicable

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Branches



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