

Kraft Powercon India Private Limited

Instrument	Amount	Rating Action
Long term, Fund based limits– Cash Credit	Rs. 7.50 crore	[ICRA]BBB- (Stable) assigned [ICRA]A3 assigned
Long term, Fund based limits – Term loan	Rs. 4.00 crore	
Short term, Non Fund based limits - Bank Guarantee (Regular)	Rs. 4.00 crore	
Short term, Non Fund based limits - Bank Guarantee (one time)	Rs. 1.26 crore	
Short term, Non Fund based limits – Letter of Credit	Rs. 1.00 crore	

ICRA has assigned the long term rating of [ICRA]BBB- (pronounced as ICRA triple B minus) for Rs 11.50 crore fund based limits of Kraft Powercon India Private Limited (KPIPL or the company)¹. The outlook on the long-term rating is stable. ICRA has also assigned the short term rating of [ICRA]A3 (pronounced ICRA A three) for Rs 6.26 crore non-fund based limits of KPIPL.

ICRA has moderately consolidated business and financial profile of KPIPL and its 100% subsidiary Kraft Powercon Sweden, AB given ownership structure, similar business line and strong operational linkages.

The assigned rating derives comfort from the longstanding experience of the company in the manufacturing of high voltage and high current rectifiers, UPS and other power control equipments, strong in-house manufacturing and R&D capability, its established relationships with reputed domestic and international clients with proven reference base. The ratings takes into consideration diversified client profile of the company across sectors like power, cement, steel, auto ancillary, etc with ability to cater to varied applications of rectifiers. Financial profile of the company, on a standalone basis, is characterized by healthy revenue growth albeit on a small base and robust capital structure with a gearing of 0.26x in FY2016. ICRA also takes note of favorable outlook for key applications catered by the company including pollution control for particulate matter in domestic market and ballast water treatment systems globally given favorable regulatory developments.

The ratings, however, remain constrained by the moderate scale of operations in domestic market and working capital intensive nature of operations characterized by extended receivable and inventory cycle. The company faces stiff competition from smaller niche players as well as large EPC contractors who can provide one stop solution. The company's margin also remains vulnerable to raw material price movement given limited ability to pass on price increases. Further margins at standalone basis came down in FY2016 on back of deferment of two key orders though same were booked in current fiscal. ICRA also take note of possible redemption of Rs. 20 crore Optionally Convertible Preference Shares held by SIDBI Trustee Company Limited since 2008 resulting into sizeable cash outflow though management has indicated that same will be either converted to equity or alternative exit options would be explored given improved financials of the company. The company's growth remains contingent on capex cycle of key user industries along with enforcement of various regulatory requirements related to pollution control. The company has moderate capex plans and expects to fund same majorly through internal accruals. Scaling up the operations while managing working capital cycle remain key sensitivity factors going forward.

Company Profile:

Kraft Powercon India Private Limited (KPIPL) is headquartered in Pune, India and was founded in the year 1971 by Mr. Vijay Jakkli. KPIPL is currently managed by Mr. Ranjit Jakkli (MD) son of Mr. Vijay Jakkli (Chairman). SIDBI Trustee Company limited (Account SME growth fund) holds 25% of equity share capital of the company. The company is primarily engaged in the business of manufacturing and supply of power control equipments mainly high voltage and high current rectifiers. Powercon, India acquired business of M/s Kraffelektronik AB, Sweden founded in 1935 in August 2008 and the two merged to become Kraft Powercon India Private Limited-a global entity with manufacturing plants in China, India and Sweden and presence worldwide.

¹ For complete rating scale and definitions, please refer to ICRA's Website, www.icra.in, or any of the ICRA Rating Publications

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