

Rating Rationale

November 28, 2024 | Mumbai

Kanchi Karpooram Limited

Rating reaffirmed at 'CRISIL BBB-/Stable'

Rating Action

Corporate Credit Rating	CRISIL BBB-/Stable (Reaffirmed)
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Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has reaffirmed its 'CRISIL BBB-/Stable' rating on the long-term bank facilities of Kanchi Karpooram Limited (KKL).

The rating continues to reflect the company's established market position in the camphor industry and healthy financial risk profile. These strengths are partially offset by susceptibility to volatility in raw material prices and intense competition from the domestic manufacturers as well as imports from China.

Analytical Approach:

CRISIL Ratings has evaluated the standalone business and financial risk profiles of KKL.

Key Rating Drivers & Detailed Description

Strengths:

- Established market position:** KKL benefits from the four decades of experience of its promoters in the camphor industry, healthy relationship with customers and suppliers and its position as one of the leading players in the Indian camphor market. As KKL is one of the larger players in the country, it is expected to continue to benefit from favourable market conditions and enhanced capacity.
- Healthy financial risk profile:** The financial risk profile is supported by healthy network and nil debt. As on September 30th, 2024, network is around Rs.311 crore. With absence of any debt funded capital expenditure plans over the medium term, financial risk profile will continue to remain healthy.

Weaknesses:

- Susceptibility to volatility in raw material prices:** Operating margin is moderate, however the same has been volatile between 1.5% to 44.3% in the four fiscals ended 2024. Gum turpentine, the primary raw material, which the company imports from Indonesia, Vietnam, Sri Lanka, China etc accounts for a majority of the raw material cost. Gum turpentine prices have been volatile, thereby exposing the company to price risk. So, any adverse movement in prices can impact the profitability of the company and the same remains a rating sensitivity factor.
- Intense competition from domestic manufacturers as well as imports from China:** Competition is intense in the camphor industry owing to the presence of several domestic players as well as foreign players, especially from China. Due to favourable market conditions, players are going ahead with capacity expansion, increasing the supply and intensifying competition among entities, which has led to moderation in realisation.

Liquidity: Adequate

Net cash accrual is expected to be comfortable over the medium term. Against that, the company does not have any term debt obligation and has not availed working capital facilities from any bank. Cash and bank balance of around Rs 40 crore as on September 30, 2024 also supports liquidity.

Outlook: Stable

CRISIL Ratings believes KKL's business risk profile is expected to strengthen further supported by favourable market conditions.

Rating sensitivity factors

Upward factors:

- Growth in revenue driven by volumes and sustenance of margin over 12% leading to steady net cash accrual.
- Sustenance of healthy financial risk profile and liquidity

Downward factors:

- Decline in revenue by more than 30% due to volume degrowth or decline in operating margin leading to significantly lower net cash accrual
- Stretch in working capital cycle or higher-than-expected debt funded capital expenditure or large dividend payouts weaken the financial risk profile.

About the Company

Incorporated in 1991, KKL manufactures camphor and its by-products, dipentene, sodium acetate trihydrate, and pine tar at its facility in Kanchipuram. The company is promoted by Mr Suresh Shah and his family and is listed on the Bombay Stock Exchange.

Key Financial Indicators

As on / for the period ended March 31		2024	2023
Operating income	Rs crore	127.78	206.43
Reported profit after tax (PAT)	Rs crore	1.57	14.29
PAT margin	%	1.14	6.81
Adjusted debt/Adjusted networkth	Times	0.00	0.00
Interest coverage	Times	19.56	133.62

Any other information: Not Applicable

Note on complexity levels of the rated instrument:

CRISIL Ratings' complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the CRISIL Ratings` complexity levels please visit www.crisilratings.com. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs crore)	Complexity levels	Rating assigned with outlook
NA	NA	NA	NA	NA	NA	NA	NA

Annexure - Rating History for last 3 Years

Instrument	Type	Current		2024 (History)		2023		2022		2021		Start of 2021
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Corporate Credit Rating	LT	0.0	CRISIL BBB+/Stable	28-11-24	CRISIL BBB+/Stable	29-11-23	CRISIL BBB+/Stable	12-12-22	CRISIL BBB/Positive	23-08-21	CCR BBB/Positive	CRISIL B+ /Stable(Issuer Not Cooperating)*
			--		--	29-11-23	CRISIL BBB+/Stable	12-12-22	CRISIL BBB/Positive	23-08-21	CCR BBB/Positive	--
			--		--	19-07-23	CRISIL BBB/Stable	28-07-22	CCR BBB/Positive	05-08-21	Withdrawn	--
			--		--	19-07-23	CRISIL BBB/Stable	28-07-22	CCR BBB/Positive		--	--
			--		--	30-06-23	CRISIL BB+ /Stable(Issuer Not Cooperating)*		--		--	--
			--		--	30-06-23	CRISIL BB+ /Stable(Issuer Not Cooperating)*		--		--	--

All amounts are in Rs.Cr.

* - Issuer did not cooperate; based on best-available information

Criteria Details

Links to related criteria
CRISILs Approach to Financial Ratios
Rating criteria for manufacturing and service sector companies
CRISILs Bank Loan Ratings - process, scale and default recognition
Rating Criteria for Chemical Industry

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