Press Release

KISANKRAFT LIMITED

06 December, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 43.27 Cr.
Long Term Rating	SMERA BBB / Outlook: Stable

** Refer Annexure for details*

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BBB**' **(read as SMERA BBB)** on the Rs. 43.27 crore bank facilities of KISANKRAFT LIMITED. The outlook is **'Stable'**.

Kisankraft Limited (KKL), a Bangalore-based company was incorporated in 2005 by Mr. Ravindra K Agrawal (Managing Director), Mrs. Sarika Agrawal, Mr. Charles G. Moore and Mr Kishore S Chitalia. The company is a manufacturer, importer and distributor of farm equipments. It caters to small and marginal farmers through its all -India network of more than 3000 dealers and 18 regional offices. The head office and warehouse are located at Bangalore.

Key Rating Drivers

Strengths

- **Experienced management**

KKL was incorporated in 2005 by Mr. Ravindra Agrawal - Promoter and Managing Director who has more than a decade of experience in the said line of business. Mrs. Sarika Agrawal, Director heads vendor development and new product identification. The day-to-day operations are led by Mr. Ankit Chitalia, CEO.

- **Moderate growth in revenues**

The revenues have grown moderately during the period under study. The revenue stood at Rs.101.09 crore in FY2017 as against Rs.83.13 crore in FY2016 and Rs. 63.90 crore in FY2015. Further, the company booked revenue of Rs. 69.00 crore for the period April to October 2017.

- **Healthy financial risk profile**

KKL has healthy financial risk profile marked by net worth of Rs. 21.33 crore as on 31 March, 2017 as against Rs.17.76 crore as on 31 March, 2016. The gearing stood moderate at 1.13 times as on 31 March, 2017 compared to 1.33 times as on 31 March, 2016. The total debt of Rs.24.19 crore outstanding as on 31 March, 2017 comprises Rs. 1.21 crore of term loan and Rs. 22.98 crore as working capital limit. The interest coverage ratio is healthy at 2.95 times in FY2017 as against 2.11 times in FY2016. The DSCR is comfortable at 1.78 times in FY2017 as against 1.31 times in FY2016. The net cash accruals of the company have grown and stood at Rs.5.46 crore in FY2017 as against Rs.3.74 crore in FY2016. The NCA/TD improved to 0.23 times in FY2017 from 0.16 times in FY2016.

Weaknesses

- **Uneven profitability margins**

The profitability margins are uneven during the period under study. The EBITDA margins stood at 10.72 percent in FY2017 as against 10.65 per cent in FY2016 and 12.41 percent in FY2015. This is majorly on account of fluctuations in raw material prices. The PAT margins are also uneven at 3.60 per cent in FY2017 as against 2.14 percent in FY2016 and 4.26 percent in FY2015. This is majorly on account of fluctuation in interest cost.

- **Working capital intensive operations**
  KKL has working capital intensive operations marked by high GCA days of 153 in FY2017 and 169 days in FY2016 on account of high inventory holding period of 157 days in FY2017 and 175 days in FY2016. The high inventory is because of the nature of equipments being sold by the company. The debtor days were low at 1 day in FY2017 as against 5 days in FY2016 as all the transaction are done on advance payment basis. The creditor days stood at 29 days for FY2017. The bank limit utilisation stood at ~77 percent for the last six months ended October 2017.

- **Highly regulated and competitive industry**
  The industry is fragmented, regulated and competitive with large number of unorganised players. Any adverse effect on equipment prices can directly impact the profitability of the company.

Analytical Approach
SMERA has considered the standalone business and financial risk profile of KKL to arrive at the rating.

Outlook: Stable
SMERA believes that KKL will maintain a stable outlook and continue to benefit over the medium term on account of its established position in the industry and extensive experience of its promoters. The outlook may be revised to 'Positive' in case the company registers substantial increase in profitability margins supported by healthy revenue growth or significant improvement in its capital structure resulting from considerable equity infusion by its promoters. Conversely, the outlook may be revised to 'Negative' in case of sharp decline in profitability margins or financial risk profile due to debt-funded capex or elongated working capital cycle.

About the Rated Entity - Key Financials
In FY2016-17, the company reported profit after tax (PAT) of Rs.3.64 crore on operating income of Rs.101.09 crore as against net profit of Rs.1.78 crore on operating income of Rs.83.13 crore in the previous year. The tangible net worth stood at Rs. 21.33 crore as on 31 March, 2017 as against Rs.17.76 crore a year earlier.

Status of non-cooperation with previous CRA (if applicable)
None

Any other information
None

Applicable Criteria

- Default Recognition - https://www.smera.in/criteria-default.htm
- Trading Entities - https://www.smera.in/criteria-trading.htm
- Financial Ratios And Adjustments - https://www.smera.in/criteria-fin-ratios.htm

Note on complexity levels of the rated instrument
https://www.smera.in/criteria-complexity-levels.htm

Rating History (Upto last three years)
Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Overdraft	Not Applicable	Not Applicable	Not Applicable	10.00	SMERA BBB / Stable

Cash Credit	Not Applicable	Not Applicable	Not Applicable	32.00*	SMERA BBB / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	1.27	SMERA BBB / Stable

**Includes sublimit of Rs. 31.10 crores as a letter of credit/buyer's credit, Includes sublimit of Rs. 2.00 crores as a Bank guarantee*

Contacts

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ABOUT SMERA

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