

Press Release

Kisankraft Limited

September 22, 2020



Rating Upgraded and Assigned

Total Bank Facilities Rated*	Rs. 72.27 Cr. (Enhanced from Rs.43.27 Cr.)
Long Term Rating	ACUITE BBB+ / Outlook: Stable (Upgraded from ACUITE BBB/Stable)

* Refer Annexure for details

Rating Rationale

Acuité has upgraded the long-term rating to '**ACUITE BBB+**' (**read as ACUITE triple B plus**) from '**ACUITE BBB**' (**read as ACUITE triple B**) on the Rs. 32.27 crore bank facilities and assigned the long-term rating of '**ACUITE BBB+**' (**read as ACUITE triple B plus**) on the Rs. 40.00 Cr, bank facilities of Kisankraft Limited (KKL). The outlook is '**Stable**'.

The upgrade reflects the expected sustenance of KKL's improved business and financial risk profiles. In fiscal 2020, the company's revenue increased to Rs 165.23 crore from Rs 144.12 crore in FY2019, driven by diversified product profile. Simultaneously, KKL's operating margin improved to 13.98 percent in FY2020 from 13.12 percent in FY2019; along with improved working capital management followed by healthy financial risk profile and experienced management.

Incorporated in 2005, Kisankraft Limited (KKL) is a Bangalore-based company promoted by Mr. Ravindra K Agrawal (Managing Director) and along with his wife Mrs. Sarika Agrawal. KKL is engaged in trading and manufacturing of various agricultural and farm equipment. It caters to small and marginal farmers through its all-India network of 3000+ dealers and 15 regional offices.

Analytical Approach

Acuité has taken the standalone view of the business and financial risk profile of KKL to arrive at the rating.

Key Rating Drivers:

Strengths

• **Established track record and Experienced management in farm equipment sector**

KKL is promoted by Mr. Ravindra Kumar Agrawal and Mrs. Sarika Agrawal, who have more than a decade of experience in the said line of business. The senior management team is ably supported by a strong line of mid-level managers. The extensive experience of the promoters and long-standing presence is reflected through the established relationship with its customers and suppliers supported in consistent revenue growth at a compound annual growth rate (CAGR) of about 19 per cent over last five years through FY2020. Further, the growth is aided by deeper penetration across the regions with the well-entrenched dealer network, encompassing almost 3000 dealers and 15 regional offices across the country and wide product portfolio over 30-40 products across the segments of soil preparation, plantation, crop management, and irrigation and harvesting.

Acuité believes that KKL's business risk profile is expected to improve further over the medium term supported by industry experience and domain knowledge of the management, long-standing relationship with its clientele, geographical reach and long operational track record of operations.

• **Healthy financial risk profile**

KKL's financial risk profile is healthy, is aided by a healthy networth, conservative capital structure and robust debt protection metrics. KKL has a healthy Net worth of Rs.56.06 as on March 31, 2020 as against Rs.41.70 crore as on March 31, 2019, supported by healthy accretion to reserves. Healthy net worth coupled with minuscule debt levels showed the strong capital structure marked by strong gearing (debt-to-equity) and total outside liabilities to tangible networth (TOL/TNW) levels of 0.01 times and 0.31 times respectively, as on March 31 2020 vis-à-vis 0.29 and 0.78 times respectively, as on March 31 2019. The debt-coverage indicators also remain robust, as reflected by interest coverage ratio of 8.88 times and net cash accrual to total debt of 20.16 times for FY2020 vis-à-vis 8.68 times and 1.06 times for FY2019. The

company has strong liquidity marked by healthy net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.11.60 to 16.12 crore during the last three years through 2018-20, while its maturing debt obligations were below Rs.0.50 crore over the same period. The cash accruals are estimated to remain around Rs.13-16 crore during 2021-23 while its repayment obligation is estimated to be around Rs.0.80-6.00 crore over the same period. Additionally, the company continues to maintain healthy cash and bank balances (unencumbered cash and bank balances of ~Rs. 7.44 crore as of March 31, 2020), resulting in a strong liquidity profile. The company is planning to do the Capex about Rs.57.50 crore. In the next three years with a term loan of Rs.30.00 crore and remaining through internal accruals. Acuité believes that, despite the company plans to incur capex going forward, an expectation of improved cash accruals is expected to help the company in maintaining a healthy financial risk profile over the medium term.

Weaknesses

- **Moderate working capital operations**

The company's operations are moderately working capital intensive in nature as reflected by its Gross Current Asset (GCA) days of around 115 days as on March 31, 2020 as against 146 days as on March 31, 2019. KKL maintains an average inventory of around 93-181 days during last three years ended through March 31, 2020, being various varieties and grades for smooth running of operations and no stock out position and nature of equipment being sold by the company. The receivable days are 1-14 days for the past three years ended through March 31, 2020 as the sales are against payment or with marginal credit period. Its creditor days are around 10-48 days for the past three years ended through March 31, 2020. KKL's working capital limits are managed well due to healthy accruals resulted in low utilisation of its bank lines at about 2.70 percent over the past six months through July 2020. Acuité believes that the working capital operations of the company will remain intense as evident from high inventory levels, large product offering and widely spread operations.

- **Agri-machinery business remains exposed to cyclical**

The company's agro-machinery business is inherently cyclical in nature and dependent on farm production, monsoon, crop realisations, and farmer sentiments, among others. Further, the industry is fragmented, regulated and competitive with a large number of unorganised players. However, farm labour shortage, together with low levels of farm equipment penetration and favourable Government policies for the agricultural sector, provides opportunities for the KKL's long-term growth. In the current fiscal, while there has been a strong recovery in demand for the agri-machinery segment following the disruption in operations on account of the pandemic induced lockdowns.

Liquidity position: Strong

KKL's liquidity is strong liquidity marked by healthy net cash accruals to its maturing debt obligations and mostly unutilized bank line utilisation. The company generated cash accruals of Rs.11.60 to 16.12 crore during the last three years through 2018-20, while its maturing debt obligations were below Rs.0.50 crore over the same period. The cash accruals are estimated to remain around Rs.13-16 crore during 2021-23 while its repayment obligation is estimated to be around Rs.0.80-6.00 crore over the same period. Its operations are moderately working capital intensive with GCA of about 115 days in FY2020; comfortable cash accruals led to lower reliance on working capital borrowings at 2.70 per cent during the last 6 months period ended July 2020. The KKL maintains unencumbered cash and bank balances of Rs.7.44 crore as on March 31, 2020. The current ratio stood healthy at 3.00 times as on March 31, 2020. The company is planning to do the capex about Rs.57.50 Cr in next three years, with a term loan of Rs.30.00 crore and Rs.27.50 crore of internal accruals. Despite the company's plans to incur capex going forward, Acuité believes that the liquidity of the company is likely to remain strong over the medium term on account of healthy cash accruals against its repayment obligations and its internal accruals, and liquid surplus to be sufficient to meet its incremental working capital requirements.

Rating sensitivities

Sustained growth in revenue and operating profitability.

Any cost or time overrun in its proposed capex would remain a negative factor.

Material Covenants

None

Outlook: Stable

Acuité believes that the outlook on KKL will remain 'Stable' over the medium term on account of its experienced management, long track record of operations and healthy financial risk profile. The outlook may be revised to 'Positive' in case of a significant improvement in its revenues while diversifying the geographies and sustaining the profitability. Conversely, the outlook may be revised to 'Negative' in case of any stretch in its working capital management or any significant cost or time overrun in its proposed capex leading to the deterioration of its capital structure and liquidity.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	165.23	144.12
PAT	Rs. Cr.	14.26	10.75
PAT Margin	(%)	8.63	7.46
Total Debt/Tangible Net Worth	Times	0.01	0.29
PBDIT/Interest	Times	8.88	8.68

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-61.htm>
- Entities in Service Sector - <https://www.acuite.in/view-rating-criteria-50.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
27-Sep-2019	Over Draft	Long Term	3.50	ACUITE BBB/Stable (Reaffirmed)
	Cash Credit	Long Term	38.50	ACUITE BBB/Stable (Reaffirmed)
	Term loans	Long Term	0.56	ACUITE BBB (Withdrawn)
	Proposed Long Term Loan	Long Term	1.27	ACUITE BBB/Stable (Reaffirmed)
28-Sep-2018	Over Draft	Long Term	3.50	ACUITE BBB/Stable (Reaffirmed)
	Cash Credit	Long Term	38.50	ACUITE BBB/Stable (Reaffirmed)
	Term loans	Long Term	0.56	ACUITE BBB/Stable (Reaffirmed)
	Proposed Long Term Loan	Long Term	0.71	ACUITE BBB/Stable (Assigned)
06-Dec-2017	Over Draft	Long Term	10.00	ACUITE BBB/Stable (Assigned)
	Cash Credit	Long Term	32.00	ACUITE BBB/Stable (Assigned)
	Term loans	Long Term	1.27	ACUITE BBB/Stable (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Over Draft	Not Applicable	Not Applicable	Not Applicable	3.50	ACUITE BBB+/Stable (Upgraded from ACUITE BBB/Stable)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	28.50	ACUITE BBB+/Stable (Upgraded from ACUITE BBB/Stable)
Term loan	31-03-2020	Not Applicable	28-02-2025	15.00	ACUITE BBB+/Stable (Assigned)
Proposed Working Capital Facility	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BBB+/Stable (Assigned)
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE BBB+/Stable (Assigned)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.27	ACUITE BBB+/Stable (Upgraded from ACUITE BBB/Stable)

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About Acuité Ratings & Research:

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