

Press Release

KHANDELWAL IRRIGATION PRIVATE LIMITED

20 February, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 11.85 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-** (read as SMERA BB minus) and short term rating of '**SMERA A4+** (read as SMERA A four plus) on the Rs. 11.85 crore bank facilities of KHANDELWAL IRRIGATION PRIVATE LIMITED. The outlook is '**Stable**'.

Khandelwal Irrigation Private Limited (KIPL) was established in 1995 by Mr. Pradeep Kumar Gupta, Mr. Rakesh Gupta, Mr. Ghanshyam Das Gupta and Mr. Rajeev Kumar Gupta. The company is engaged in the manufacturing of sprinkler irrigation, drip irrigation systems, HDPE and PVC pipes and fittings. The installed capacity stands at 1500 TPA. The manufacturing facility is located at Jaipur, Rajasthan.

Key Rating Drivers

Strengths

• Experienced management and long track record of operation

KIPL has been in operations since 1995. The Director, Mr. Pradeep Kumar Gupta, Mr. Rakesh Gupta, Mr. Ghanshyam Das Gupta and Mr. Rajeev Kumar Gupta have experience of two decades in the plastic industry.

• Average financial risk profile

The average financial risk profile is marked by moderate networth, high gearing and moderate debt protection metrics. The net worth stood moderate at Rs.3.68 crore in FY2017 as it increased from Rs.2.97 crore in FY2016. The networth includes unsecured loan of Rs. 1.32 crore which is subordinated to bank debt and hence treated as quasi equity by SMERA. The gearing of the company stood high at 2.33 times in FY2017 as it declined from 3.14 times in FY2016. The Interest Coverage Ratio (ICR) stood comfortable at 1.30 times in FY2017 compared to 1.35 times in FY2016. The Debt Service Coverage Ratio (DSCR) stood comfortable at 1.05 times in FY2017 and 1.15 times in FY2016. The net cash accruals against total debt (NCA/TD) stood at a moderate 0.04 times in FY2017 as against 0.03 times in FY2016.

Weaknesses

• Working capital intensive operations

The operations are working capital intensive as reflected in the Gross Current Assets (GCA) of 145 days in FY2016-17 and FY2015-16 respectively. The high GCA days emanate from the collection period and high inventory days of 84 and 59 days in FY2017. The operations are expected to remain capital intensive, as the company manufactures sprinkler and drip irrigation systems, HDPE and PVC pipes used in agriculture leading to a relatively high collection and inventory period. The company is exposed to the inherent cyclical nature in the industry.

- **Highly fragmented and competitive nature of operations**

KIPL operates in a highly fragmented industry with a large number of players in the organised and unorganised sector limiting the bargaining power with customers.

Analytical Approach

SMERA has considered the standalone financial performance and financial risk profile of KIPL.

Outlook: Stable

SMERA believes that KIPL will maintain a stable outlook over the medium term on account of its experienced management and established operational track record. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues and net cash accruals while maintaining better profit margins and improvement in its working capital management. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected growth in revenue and profitability, or deterioration in the financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	29.85	32.18	25.09
EBITDA	Rs. Cr.	1.49	1.22	1.09
PAT	Rs. Cr.	0.14	0.13	0.15
EBITDA Margin	(%)	5.00	3.80	4.35
PAT Margin	(%)	0.47	0.41	0.61
ROCE	(%)	11.45	10.34	21.60
Total Debt/Tangible Net Worth	Times	2.33	3.14	2.68
PBDIT/Interest	Times	1.30	1.35	1.39
Total Debt/PBDIT	Times	5.49	7.31	6.15
Gross Current Assets (Days)	Days	145	145	140

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

NA

Any other information

NA

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>
- Manufacturing Entities - <https://www.smerra.in/criteria-manufacturing.htm>

Note on complexity levels of the rated instrument

<https://www.smerra.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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	8.00	SMERA BB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	1.60	SMERA BB- / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.75	SMERA BB- / Stable
Letter of credit	Not Applicable	Not Applicable	Not Applicable	1.50	SMERA A4+

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ABOUT SMERA

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