

Press Release

KAVEEN INFRA SOLUTIONS PRIVATE LIMITED

22 March, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 14.00 Cr.
Long Term Rating	SMERA BB+ / Outlook: Stable

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB+** (read as SMERA double B plus) on the Rs. 14.00 crore bank facilities of KAVEEN INFRA SOLUTIONS PRIVATE LIMITED. The outlook is '**Stable**'.

Kaveen Infra Solutions Pvt Ltd (KISPL) was established in 2007 as a partnership firm by Mr. Mukeshkumar Panchal and Mrs. Kalpanaben Panchal. In 2011, the constitution was changed to private limited. KISPL is a Gujarat-based authorised dealer for TATA- Hitachi earth moving equipments such as Excavators, Cranes, spare parts and accessories. The company caters to government and civil contractors such as Montecarlo, Adani, Sadbhav to name a few.

Key Rating Drivers

Strengths

• Authorised dealership with Tata Hitachi

KISPL is the sole authorised dealer of TATA-Hitachi in Gujarat. The company undertakes distribution of heavy earthmoving equipment. The company also undertakes sales of spares and servicing of equipments. Tata Hitachi Construction Machinery Company Private Limited (Tata Hitachi), formerly Telco Construction Equipment Company Limited, is one of the major players in the Indian Mining and Construction Equipment (MCE) industry with a healthy market share in the excavators industry in India. Tata Hitachi's operating income stood at Rs. 3049.9 crore in FY2017 as against Rs. 2204.9 crore in FY2016.

• Improvement in scale of operations

KISPL registered growth in revenue to Rs. 42.09 crore in FY2017 from Rs. 32.36 crore in FY2016. Further, the company booked revenue of Rs.92.30 crore from April 2017 to February 2018 (Provisional). SMERA believes that KISPL will sustain growth in revenue owing to improvement in the infrastructure industry.

• Efficient working capital cycle

The working capital cycle of KISPL is efficient marked by GCA days of 60 in FY2017 as against 68 in FY2016. This is majorly on account of moderate inventory holding period of 23 days in FY2017 as against 42 days in FY2016. Also, the receivable days are low at 9 in FY2017 as against 32 in FY2016. The working capital cycle days are also comfortable at 35 days in FY2017 and 20 days in FY2016. The average bank limit utilisation stood at 76.01 per cent for the last six months ended February 2018.

Weaknesses

• Average financial risk profile

The financial risk profile of KISPL is average marked by net worth of Rs.1.30 crore as on 31 March, 2017 as against Rs.0.92 crore as on 31 March, 2016. The gearing stood at 4.06 times as on 31 March, 2017 compared to 3.58 times as on 31 March, 2016. The total debt of Rs. 5.29 crore outstanding as on 31 March, 2017 is working capital limits from the bank. The Debt service coverage ratio stood at 2.23 times in FY2017 as against 2.44 times in FY2016. The Net Cash Accruals stood at Rs.0.46 crore in FY2017 as against Rs. 0.43 crores in FY2016.

Analytical Approach

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

Outlook: Stable

SMERA believes that KISPL will maintain a stable outlook on account of its experienced management and diversified product profile. The outlook may be revised to 'Positive' in case of substantial growth in scale of operations while achieving healthy profit margins and comfortable liquidity position. Conversely, the outlook may be revised to 'Negative' in case of decline in revenue or profitability and deterioration in the financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	42.09	32.36	42.49
EBITDA	Rs. Cr.	0.70	0.53	0.54
PAT	Rs. Cr.	0.33	0.32	0.31
EBITDA Margin (%)	(%)	1.65	1.64	1.27
PAT Margin (%)	(%)	0.80	1.00	0.74
ROCE (%)	(%)	12.57	14.88	30.18
Total Debt/Tangible Net Worth	Times	4.06	3.58	4.37
PBDIT/Interest	Times	2.22	2.43	2.32
Total Debt/PBDIT	Times	6.33	4.51	4.63
Gross Current Assets (Days)	Days	60	68	70

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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	9.00	SMERA BB+/Stable (Assigned)
Overdraft	Not Applicable	Not Applicable	Not Applicable	1.80	SMERA BB+/Stable (Assigned)
Proposed bank facility	Not Applicable	Not Applicable	Not Applicable	3.20	SMERA BB+/Stable (Assigned)

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ABOUT SMERA

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