

Press Release

Shri Krsna Urja Project Private Limited

June 12, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 16.25 Cr.
Long Term Rating	ACUITE B+/ Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of **'ACUITE B+' (read as ACUITE B plus)** and short term rating of **'ACUITE A4' (read as ACUITE A four)** on the Rs.16.25 crore bank facilities of Shri Krsna Urja Project Private Limited. The outlook is **'Stable'**.

Shri Krsna Urja Project Private Limited (SKPL) is a Jaipur based company incorporated in the year 1994 by Mr. Ajay Kumar Sanghi and Mr. Rajan Kumar Sanghi. It is engaged in manufacturing of galvanized steel structures, transmission line structures, solar pump structures among others. Further, the company is also into logistics business; it provides transportation services for Maruti Suzuki India Limited (MSIL) and Mahindra Logistics Limited. It is a part of Shri Krsna group.

Shri Krsna group started in the year 1929 as an authorised dealer of Siemens, Germany in India. It continues to be an authorized dealer for M/s Siemens Ltd., and M/s Bharat Bijlee Ltd., for electrical items. Group is also into manufacturing of transformers and providing IT services such as development of web applications.

Key Rating Drivers

Strengths

• Experienced management and long track record of operations

SKPL established as Sanghi Engineers in 1974 and in the year 1995, it was converted to private limited company. The promoters of the company Mr. Ajay Kumar Sanghi and Mr. Rajan Kumar Sanghi, who are IIM graduates, possess more than 4 decades of experience in the different industries such as automobile, logistics, power, finance and construction industry. SKPL has two lines of business – manufacture and supply of galvanized steel structures for use in telecom, power sector (transmission, distribution, solar power segment); also into logistics operations. SKPL is an authorised logistics service provider for MSIL for nearly three decades; further, SKPL is also associated with Mahindra Logistics Ltd. Established operations coupled with rich experience of the promoters in the industry have helped the company to maintain long standing relations with the customers and in improving its revenue profile.

• Moderate revenue growth

The company witnessed moderate revenue growth which grew at a compound annual growth rate of 7.40 percent from Rs.48.31 crore in FY2016 to Rs.55.73 crore in FY2018 (provisional). Growth in revenue is on account of increase in revenue contribution from both the steel structure business as well transportation business. Further, the company is expecting revenues of around Rs.60 crore in the medium term as the company started providing logistic services for Maruti Suzuki India Limited for their Gujarat plant also.

Weaknesses

• Weak financial risk profile

Financial risk profile of the SKPL is weak marked by high gearing (Debt to Equity Ratio), high total outside liabilities to total networth (TOLTNW) though supported by average debt protection metrics. SKPL's gearing is high around 3 times from the last three years on account of modest net worth and

high dependence on external borrowings for funding capital expenditure (Vehicle loans) and working capital requirements. Further, every year, the company have to pay around Rs.5.50 crore to the banks (Vehicle loan installments), however, the net cash accruals generated in the company is around Rs.2.5 crore to 3.3 crore, hence making DSCR below one. However, to support the loan repayments, the management has been regularly funding by way of unsecured loans. As a result, TOLTNW is high at around 4.5 times from the last three years through FY2018. Its debt protection metrics of interest coverage ratio and net cash accruals to total debt are average at 2.1 times and 0.10 times respectively in FY2018. Acuite believes that, financial risk profile is expected to remain weak on account of low acceleration to reserves and high repayments obligations of around Rs.5 crore in the medium term.

• Working capital intensive operations

Operations of the company are highly working capital intensive marked by high Gross current assets of around 190-200 days from the last three years through FY2018. The same is due to inventory days of around 80-90 days and high debtors days of around three months. Further, the same led to high utilization of working capital limits of around 90 percent for the last six months through May 2018. As on 31 March, 2017, debtors exceeding six months stood around Rs.6.9 crore. Operations are expected to be working capital intensive on account of high inventory for continuous job work process (Zinc required for galvanizing), regular stock maintenance and extended credit terms with the customers.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of the SKPL to arrive at this rating.

Outlook: Stable

Acuite believes that SKPL will maintain stable outlook over the medium term from its promoters experience, funding support from the supports and established relationship with MSIL. The outlook may be revised to 'Positive' in case of significant improvement in its net cash accruals, while improving its financial risk profile and client diversification. Conversely, the outlook may be revised to 'Negative' in case of any further stretch in its working capital management leading to deterioration of its financial risk profile and liquidity.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	51.03	48.31	50.97
EBITDA	Rs. Cr.	5.32	5.49	7.36
PAT	Rs. Cr.	0.25	0.09	0.02
EBITDA Margin	(%)	10.42	11.35	14.42
PAT Margin	(%)	0.48	0.19	0.03
ROCE	(%)	9.03	10.50	27.46
Total Debt/Tangible Net Worth	Times	3.16	3.38	2.76
PBDIT/Interest	Times	1.75	1.72	1.70
Total Debt/PBDIT	Times	4.88	4.69	3.12
Gross Current Assets (Days)	Days	195	203	178

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>

- Manufacturing Entities - <https://www.acuite.in/criteria-manufacturing.htm>
- Service Sector- <https://www.acuite.in/view-rating-criteria-8.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.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
Over Draft	Not Applicable	Not Applicable	Not Applicable	6.25	ACUITE B+ / Stable
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A4

Contacts

Analytical	Rating Desk
Suman Chowdhury President - Rating Operations Tel: 022-67141107 suman.chowdhury@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in
Naveen Papisetty Analyst - Rating Operations Tel: 040-40055480 naveen.papisetty@acuiteinratings.in	

About Acuité Ratings & Research:

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