Press Release

Shri Krsna Urja Project Private Limited

June 25, 2019

Rating Reaffirmed

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

Acuité has Reaffirmed the 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 cr. 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.

Analytical Approach

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

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**
  Operating income for SKUPPL grew at a compound annual growth rate of 10.18 percent from Rs.48.31 crore in FY2016 to Rs.64.61 crore in FY2019 (Provisional). Growth in revenues is on account of increase in revenue contribution from both the steel structure business as well transportation business. Further, the EBITDA margins for the FY2019 (Provisional) stood at 13.12 percent as against 10.10 percent for the FY2018.

Weaknesses

- **Working capital intensive operations**
  Operations of the company are working capital intensive marked by Gross Current Days (GCA) of 141 days for the FY2019 (Provisional) as compared to 147 days for the FY2018. The same is due to inventory and debtor days of 83 days and 46 days respectively for FY2019 (Provisional) as against 84 days and 54 days respectively for the previous years.

- **Average financial risk profile-**
  The financial risk profile of SKUPPL is average marked by tangible net worth of Rs.19.80 crore as on 31 March 2019 (Provisional) as against Rs.16.86 crore in the previous year. Gearing (debt-equity) of the company stood at 1.24 times as on 31 March 2019 (Provisional) as against 1.50 times as on 31 March 2018. The interest coverage ratio stood at 2.65 times for FY2019 (Provisional) as against 2.04 times for FY2018. DSCR stood at 0.90 times for FY2019 (Provisional) as against 0.73 times in the previous year. Total outside liabilities to tangible net worth (TOL/TNW) stood at 1.67 times as on 31 March 2019 (Provisional) as against 1.98 times as on 31 March 2018.

Liquidity position
The company has average liquidity position marked by above average net cash accruals to its maturing debt obligation. SKPL generated net cash accruals of Rs.4.96 crore for the FY2019 (Provisional) with maturing debt obligation of Rs.4.43 crore for the same period. The cash and cash equivalents stood at Rs.0.60 crore for FY2019 (Provisional) as against Rs.0.10 crore for FY2018. The current ratio of SKPL stood at 1.14 times for the FY2019 (Provisional) and 1.10 times for the FY2018. The operations of the company stood working capital intensive in nature marked by Gross Current Assets (GCA) of 141 days in FY2019 (Provisional) as against 147 days for the FY2018.

Outlook: Stable
Acuité believes that SKPL will maintain stable outlook over the medium term from its promoter's 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	FY19 (Provisional)	FY18 (Actual)	FY17 (Actual)
Operating Income	Rs. Cr.	64.61	58.88	51.00
EBITDA	Rs. Cr.	8.47	5.95	5.18
PAT	Rs. Cr.	0.96	0.27	0.25
EBITDA Margin	(%)	13.12	10.10	10.16
PAT Margin	(%)	1.49	0.47	0.49
ROCE	(%)	10.13	8.85	18.30
Total Debt/Tangible Net Worth	Times	1.24	1.50	1.54
PBDIT/Interest	Times	2.65	2.04	1.75
Total Debt/PBDIT	Times	2.90	4.10	3.90
Gross Current Assets (Days)	Days	141	147	205

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-17.htm
- Manufacturing Entities - https://www.acuite.in/view-rating-criteria-4.htm
- Entities in the service sector - http://acuite.in/view-rating-criteria-8.htm
- Financial Ratios And Adjustments - https://www.acuite.in/view-rating-criteria-20.htm

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
12-Jun-18	Over Draft	Long term	6.25	ACUITE B+/Stable (Assigned)
	Bank Guarantee	Short Term	10.00	ACUITE A4 (Assigned)

*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 (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A4 (Reaffirmed)

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About Acuité Ratings & Research:
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