

Press Release

Shri Krsna Urja Project Private Limited

September 17, 2020

Rating Reaffirmed



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

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) and the 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**'.

About the company

Jaipur-based, Shri Krsna Urja Project Private Limited (SKPL) was incorporated in 1994 by Mr. Ajay Kumar Sanghi and Rajan Kumar Sanghi. The company is engaged in the 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 to Maruti Suzuki India Limited (MSIL) and Mahindra Logistics Limited.

Analytical Approach

Acuite has taken the standalone view of the business and financial risk profile of Shri Krsna Urja Project Private Limited for arriving at this rating.

Key Rating Drivers

Strengths

• Experience Management and established track record of operations

SKPL was established as Sanghi Engineers in 1974 and later in 1995, it was converted into private limited company. The promoters of the company Mr. Ajay Kumar Sanghi and Mr. Rajan Kumar Sanghi 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 authorized 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.

Acuite believes that the company will continue to derive benefit from its experienced management and established market position over the medium term.

Weaknesses

• Reduced operating income and thin profitability

The operating income of the company reduced to Rs.61.50 crore in FY2020 (Provisional) from Rs.65.20 crore in FY2019. Moreover, the operating income stood at Rs.8.45 crore for the period starting from April 2020 to August 2020. The profitability margins of the company is thin marked by net profit margin, which stood at 0.11 percent in FY2020 (Provisional) as against 1.18 percent in FY2019.

• Working capital intensive nature of operations

The operations of the company are working capital intensive marked by Gross Current Assets (GCA)

of 162 days in FY2020 (Provisional) as against 148 days in FY2019. This is majorly on account of inventory holding period of Rs.93 days in FY2020 (Provisional) as against 85 days in FY2019 and debtor's collection period of 55 days in FY2020 (Provisional) as against 44 days in FY2019. The company gets a credit period of around 100-110 days from its creditors. Further, the current ratio stood at 1.20 times as on 31 March 2020.

• Average financial risk profile

The financial risk profile of the company is average marked by average net worth, high gearing levels and average debt protection metrics. The net worth of the company stood at Rs.9.26 crore as on 31 March 2020 (Provisional) as against Rs.16.36 crore as on 31 March 2019. The gearing (debt-equity) level stood at 3.61 times as on 31 March 2020 (Provisional) as against 1.51 times as on 31 March 2019. TOL/TNW (Total outside liabilities- Total net worth) stands at 4.66 times as on 31 March 2020 (Provisional) as against 2.15 times as on 31 March 2019. The total debt of Rs.33.37 crore as on 31 March, 2020 (Provisional) consist of long term borrowings of Rs.15.31 crore, unsecured loans of Rs.7.17 crore and working capital borrowings of R.10.89. The Interest coverage ratio (ICR) and debt service coverage ratio (DSCR) stood at 2.19 times and 0.86 times, respectively in FY2020 (Provisional) as against 2.50 times and 0.85 times, respectively in FY2019. NCA/TD (Net cash accruals to total debt) stands low at 0.10 times in FY2020 (Provisional) as against 0.18 times in FY2019. Debt/EBITDA stood high at 5.31 times in FY2020 (Provisional) as against 3.10 times in FY2019.

Acuité expects that the financial risk profile of the company is likely to remain average on account of high financial leverage coupled with low profitability and low net worth.

Rating Sensitivities

- Lower than expected operating performance
- Significant improvement in profitability margins
- Any deterioration in the working capital cycle and liquidity profile of the company

Material Covenants

None

Liquidity Position: Stretched

SKPL has stretched liquidity profile marked by weak net cash accruals vis-à-vis its maturing debt obligations. The company generated net cash accruals of Rs.3.41 crore in FY2020 (Provisional) as against repayment obligation of Rs.4.43 crore for the same period. The cash accruals of the company are estimated to remain in the range of around Rs.2.95 crore to Rs.3.62 crore during FY2021-23 as against repayment obligations of Rs.4.30 crore for the same period. The company's average bank limit utilization stood at ~67 percent for the last six-month period ended August, 2020. The company maintained unencumbered cash and bank balances of Rs.0.40 crore as on 31 March, 2020 (Provisional). The current ratio stands healthy at 1.20 times as on 31 March, 2020 (Provisional).

Outlook: Stable

Acuité believes that SKPL will maintain a 'Stable' outlook over the medium term owing to its experienced management and established market position. The outlook may be revised to 'Positive' in case the company achieves more than envisaged sales and profitability while efficiently managing its working capital cycle. Conversely, the outlook may be revised to 'Negative' if the company's liquidity is deteriorated or significant deterioration in financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	61.50	65.20
PAT	Rs. Cr.	0.07	0.77
PAT Margin	(%)	0.11	1.18
Total Debt/Tangible Net Worth	Times	3.61	1.51
PBDIT/Interest	Times	2.19	2.50

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Entities in Service Sector - <https://www.acuite.in/view-rating-criteria-50.htm>
- Manufacturing entities - <https://www.acuite.in/view-rating-criteria-59.htm>
- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

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

Rating History (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
25-June-2019	Overdraft	Long term	6.25	ACUITE B+/ Stable (Reaffirmed)
	Bank Guarantee	Short term	10.00	ACUITE A4 (Reaffirmed)
12-June-2018	Overdraft	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. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE B+/ Stable (Reaffirmed)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.25	ACUITE B+/ Stable (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A4 (Reaffirmed)

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About Acuite Ratings & Research:

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