

Press Release

Krishna Ram

February 12, 2020

Rating Assigned



Total Bank Facilities Rated	Rs.5.00 crore
Short Term Rating	ACUITE A4 (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned a short term rating of '**ACUITE A4**' (read as **ACUITE A four**) to the Rs.5.00 crore bank facilities of Krishna Ram.

Krishna Ram (KR), established in 2000, is a Jharkhand based partnership firm promoted by Mr. Krishna Ram, Mrs. Usha Singh, Mr. Shubham Singh and Miss Shreya Kumari. The firm is engaged in railway infrastructure and civil construction works. It undertakes work mainly for Indian Railways and Damodar River Valley Corporation.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of KR to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management and long track record of operations**

KR commenced operations from 2000. The firm has been promoted by Mr. Krishna Ram who has about two decades of experience in the construction industry. Hence, the long track record and vast experience of the partners has helped the company to secure repeated orders and build a strong relationship with the clients.

Weakness

- **Modest scale of operations**

The firm has modest scale of operations with revenue of Rs.11.12 crore in FY 2019 as against Rs.15.96 crore in FY2018 and has an unexecuted order book position as on 31st December 2019 of Rs.65.93 crore. The firm has achieved revenue of Rs.8.03 crores till December 2019. The operations are expected to remain modest over the medium term as the firm concentrates mainly on orders from Indian Railways.

Decline in profitability metrics

The operating margin has decreased to 2.21 per cent in FY2019 as against 5.47 per cent in the preceding year. The marginal decline in operating margins is on account of increase in material cost. Similarly, the profit after tax (PAT) margin has also declined to 3.46 percent in FY2019 as against 5.86 percent in FY2018. Acuité believes that the company's ability to improve its profitability metrics will be key rating sensitivity.

Rating Sensitivity

- Improvement of profitability margins
- Improvement of scale of operations

Material Covenants

None

Liquidity Profile

The firm's liquidity is adequate marked by net cash accruals of Rs.0.41 crores in FY2019. The current ratio stood healthy at 2.73 times as on March 31, 2019. The cash and bank balances of the firm stood at Rs.0.92

crores as on March 31, 2019. The firm's working capital operations are efficiently managed marked by low Gross Current Days (GCA) days of 52 days for FY2019 as against 32 days for FY2018. Acuite believes that going forward the firm will maintain comfortable liquidity in the absence of any huge repayments and steady accruals in the medium term.

About the Rated Entity - Key Financials

	Unit	FY19(Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	11.12	15.96
PAT	Rs. Cr.	0.39	0.93
PAT Margin	(%)	3.46	5.86
Total Debt/Tangible Net Worth	Times	0.01	0.01
PBDIT/Interest	Times	4.36	27.34

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

None

Any other information

Not Applicable

Applicable Criteria

- Application of Financial Ratios and Adjustments: <https://www.acuite.in/view-rating-criteria-20.htm>
- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Infrastructure Entities- <https://www.acuite.in/view-rating-criteria-4.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
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE A4 (Assigned)
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A4 (Assigned)

Contacts

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About Acuité Ratings & Research:

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