

Press Release

Krane Mfg India Private Limited

October 29, 2020



Rating Assigned

Total Bank Facilities Rated*	Rs. 7.50 Cr.
Short Term Rating	ACUITE A4+ (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned the short-term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) on the Rs.7.50 crore bank facilities of Krane Mfg India Private Limited (KMPL).

Incorporated in 1993, KMPL is an Ambernath (Maharashtra) based company promoted by Mr. Sureshkumar Gupta and Mr. Madhur S. Gupta. The company is engaged in crane manufacturing and other material handling equipment. The company specializes in designing, engineering, manufacturing testing and commissioning of different capacities (5T to 90T) of EOT Cranes. The company has a capacity to manufacture more than 50 cranes per annum.

Analytical Approach

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

Key Rating Drivers

Strengths

- **Experienced management**

Incorporated in 1993, KMPL is engaged in crane manufacturing and other material handling equipment. Managing Director Mr. Sureshkumar Gupta (Mechanical Engineer) possess extensive experience of over 4 decades in designing and manufacturing of cranes. An experienced second line of management Mr. Madhur Gupta ably assists the promoter. The firm has a strong order book of Rs.34.00 crore, which is executable in near to medium term. The strong project execution capability of the company has helped it secure repeat orders from reputed clients.

Acuité believes that KMPL will benefit from experienced management which will help the firm to maintain long-standing relations with its customer such as Indian Railways, Bharat Heavy Electricals Limited, and others and suppliers.

- **Average financial risk profile**

The financial risk profile is average, marked by average tangible net worth, low gearing and moderate debt protection matrices. The tangible net worth of the company stood at Rs.2.79 crore as on 31 March, 2020 as against Rs. 2.27 crore as on 31 March, 2019. The gearing (debt to equity) stood comfortable at 0.23 times as on March 31, 2020 as against 1.33 times as on March 31, 2019. The company's debt protection metrics stood moderate as reflected by Interest Coverage Ratio (ICR) at 3.56 times in FY2020 against 1.49 times in FY2019. Total outside liabilities to total tangible Networth (TOL/TNW) stands at 2.43 times as on March 31, 2020 as against 3.00 times as on March 31, 2019. Debt/EBITDA improved to .49 times as on March 31, 2020 as against 10.05 times in FY2019.

Going forward, Acuité expects the financial risk profile to remain moderate on account of the absence of significant debt-funded capex plans and moderate net cash accruals.

Weaknesses

- **Modest scale of operations**

KMPL has been in operations for more than two decades and has a modest scale of operations. The company's operations are reflected by a turnover of Rs.16.92 crore for FY2020 as against Rs.5.23 crore for FY2019 and Rs.8.05 crore for FY2018. With current orders of Rs.34.00 crore provides revenue visibility for the

medium term.

Acuité believes scaling up of operations while maintaining the profitability will remain a key rating sensitivity factors over near to medium term.

• Customer concentration risk

The company faces high customer concentration risk. Its major customer is Indian Railways who accounted for more than 90 percent of its sales for FY2020. The high customer concentration renders the revenue growth and profitability susceptible to the growth plans and credit policies of its key customers.

Rating Sensitivities

- Improvement in the scale of operations while maintaining profitability.
- Stretch in Gross Current Asset (GCA) days.

Material Covenants

None

Liquidity position: Adequate

KMPL has adequate liquidity marked by moderate net cash accruals to its maturing debt obligations. The company generated cash accruals of ~Rs.0.11 to Rs. 0.76 crore during the last three years through 2018 - 20, while its maturing debt obligations were in the range of ~Rs.0.17 to Rs. 0.32 crore over the same period. The cash accruals of the company are estimated to remain at around Rs. 1.1 - Rs.1.3 crore during 2021-23. The company maintains unencumbered cash and bank balances of Rs.0.36 crore as on March 31, 2020. The current ratio of the company stood low at 0.96 times as on March 31, 2020. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term.

About the Rated Entity - Key Financials

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	16.92	5.23
PAT	Rs. Cr.	0.52	(0.16)
PAT Margin	(%)	3.07	(3.14)
Total Debt/Tangible Net Worth	Times	0.23	1.33
PBDIT/Interest	Times	3.56	1.49

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.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 (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. Cr.)	Ratings/Outlook
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	6.50	ACUITE A4+ (Assigned)
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE A4+ (Assigned)

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About Acuité Ratings & Research:

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