

## Press Release

### Kavish Infrastructure Private Limited

August 26, 2021

## Rating Assigned



<b>Total Bank Facilities Rated*</b>	Rs.10.00 Cr.
<b>Long Term Rating</b>	ACUITE BB-/Stable (Assigned)

\* Refer Annexure for details

## Rating Rationale

Acuite has assigned the long term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) to the Rs.10.00 Cr bank facilities of Kavish Infrastructure Private Limited (KIPL). The outlook is '**Stable**'.

The rating on KIPL takes cognizance of company's experienced management, project approved under Pradhan Mantri Matsya Sampada Yojana (PMMSY) scheme and high demand of fish feed in Bihar region. These strengths are, however, constrained by the presence of significant project implementation risk and vulnerability to timely receipt of subsidies.

### About the company

Kavish Infrastructure Private Limited (KIPL) is a Kolkata based company, incorporated in the year 2007. Mr. Rohit Kayan, Mrs. Urmila Kayan, Mrs. Jailaxmi Sharma and Ms. Upasana Ghosh are directors in the company. KIPL is venturing into a green field project to set up a manufacturing unit of fish feeds with an installed capacity of 30,000 TPA. The commercial operation is expected to commence from February 2022. The unit is located in Barauni Industrial Area developed by Bihar Government so all the major facilities required for industries are available. The total project outlay is around Rs.13.40 Cr and is expected to be funded through a term loan of Rs.9.00 Cr and the remaining through promoter's contribution.

### Analytical Approach

Acuite has taken a standalone view of the business and financial risk profile of KIPL to arrive at the rating.

### Key Rating Drivers

#### Strengths

##### • Experienced management

KIPL's board of directors comprise of three promoter directors namely, Mr. Rohit Kayan, Mrs Urmila Kayan and Mrs Jailaxmi Sharma. Ms Upasna Ghosh is the independent technical director. Mr. Rohit Kayan has 24 years of multifaceted experience and Ms Upasna Ghosh has 15 years of experience in fish/marine industry. Acuite believes the long experience of the management will benefit the firm going forward, resulting in steady growth in the scale of operations.

##### • Project subsidized under Government scheme

The Bihar Government, in order to meet the fish feed demand in the state, asked for application/proposal for set-up of the fish feed plant under Pradhan Mantri Matsya Sampada Yojana (PMMSY) with various incentive. KIPL's proposal was accepted by the Fisheries Department of Bihar Government under this scheme on 18th June, 2021. Further, under the PMMSY scheme, there is capital and interest subsidy involved along with GST exemption on fish feed. In addition, the govt. will buyback the production of 1000 Tons per month. The company has also entered into a quantitative purchase agreement of 500 TPM with 'Integrated Fisheries Research and Training Centre' in Bihar. Acuite draws comfort from the Government buyback, however the company's ability to sell the remaining produce will remain a key monitorable.

#### Weakness

##### • Significant project implementation risk and funding risk

KIPL is going to venture into a green field business plan of manufacturing fish feed which is scheduled to be completed by Jan'22 at an estimated fund outlay of Rs.13.40 Cr. The said project cost is expected to be funded with Rs.9.00 Cr from bank loans and the balance from promoter's contribution. However, the financial closure is yet to be achieved. So far, the management has spent around Rs.1.00 Cr from own funds in acquiring necessary approvals, long term advances and civil work of shed and walling. Since the funding is yet to be tied up, the said project is exposed to significant funding risk. Acuite believes that the timely completion of the

project at the envisaged cost would be a key monitorable.

#### • **Expected deterioration in financial risk profile**

The company's financial risk profile is expected to remain below average marked by low networth, high gearing and strong debt protection metrics over the medium term. The tangible net worth of the company stood low at Rs.2.04 Cr as on 31st March, 2021 but it is expected to improve marginally going forward due to steady cash accruals. Gearing of the company is expected to remain at high levels going forward as the company plans to avail long term facility from bank for its plant and machinery purchase and installation. The total cost of project is Rs.13.40 Cr which is expected to be funded partly through Rs.9.00 Cr term loan from SIDBI and remaining from promoter's contribution. With this the gearing level is expected to rise to over 5 times by the end of FY22. The promoters are expected to infuse funds through unsecured loans. Total outside Liabilities/Tangible Net Worth (TOL/TNW) is expected to remain high over the medium term. The debt protection metrics of the company is expected to remain strong. Interest Coverage Ratio and Debt Service Coverage Ratio are expected to remain around 5-6 times over the medium term. Acuite believes that going forward the financial risk profile of the company is expected to be below average due to leveraged capital structure over the medium term, though will be supported by steady accruals.

#### **Rating Sensitivity**

- Achieving financial closure
- Any deterioration of its financial risk profile and liquidity position.
- Timely realization of subsidy from Government.
- Timely commencement of the project within the stipulated cost.

#### **Material Covenant**

None

#### **Liquidity Profile: Moderate**

The company liquidity profile is expected to remain moderate over the medium term. The net cash accruals are expected to remain healthy post FY22 in order to meet the debt obligations. The current ratio is expected to remain above unity and around 1.35 per times, going forward. The cash and bank balances of the company stood at Rs.0.03 Cr in FY2021 and is expected to increase gradually as the business will scale up in the medium term. The company has applied for short term facility of Rs.1.00 Cr from the bank which is under consideration. Acuite believes that the liquidity position of the company is sensitive to achieving financial closure and hence will remain a key monitorable over the medium term.

#### **Outlook: Stable**

Acuite believes that KIPL will maintain a 'Stable' credit profile over the near to medium term with the backup of financial support from Government under PMMSY scheme. The outlook may be revised to 'Positive' in case of significant and sustainable growth in its revenue or improvement in the financial risk profile. The outlook may be revised to 'Negative' in case of deterioration in liquidity profile due to deficit of funds or delay in realization of government subsidies.

#### **About the Rated Entity - Key Financials (Standalone)**

	Unit	FY21 (Actual)	FY20 (Actual)
Operating Income	Rs. Cr.	0.18	-
PAT	Rs. Cr.	0.05	(0.11)
PAT Margin	(%)	24.85	-
Total Debt/Tangible Net Worth	Times	0.40	1.10
PBDIT/Interest	Times	442.46	(12.63)

#### **Status of non-cooperation with previous CRA**

Not Applicable

#### **Any other information**

Not Applicable

#### **Applicable Criteria**

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>

- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-59.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**

Lender Name	Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Not Applicable	Proposed Term Loan	Not Available	Not Available	Not Available	9.00	ACUITE BB-/Stable (Assigned)
Not Applicable	Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE BB-/Stable (Assigned)

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**About Acuité Ratings & Research:**

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