

Press Release

Shri Krishna And Company

June 30, 2022



Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	20.00	-	ACUITE A4+ Assigned
Bank Loan Ratings	3.50	ACUITE BB+ Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	23.50	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned long term rating of '**ACUITE BB+**' (read as **ACUITE Double B plus**) and short term rating of '**ACUITE A4+**' (read as **ACUITE A Four Plus**) on the Rs. 23.50 Cr bank facilities of Shri Krishna and Company (SKAC). The outlook is '**Stable**'.

About the Company

Shri Krishna & Company was incorporated in 2014 in Ghaziabad Uttar Pradesh by Mr. Anish Yadav. The Firm is primarily engaged in civil construction work for building roads, bridges and water works for government departments.

Analytical Approach

Acuite has considered the standalone business and financial risk profiles of the Shri Krishna and Company to arrive at this rating.

Key Rating Drivers

Strengths

Moderate financial risk profile

SKAC's financial risk profile is moderate marked by low net worth, comfortable gearing and strong coverage indicators. Tangible net worth stood at Rs. 5.01 Cr. as on 31 March, 2021. The debt profile of the company includes long term loan of Rs. 3.55 Cr, unsecured loans of Rs. 0.54 Cr and short term borrowings of Rs. 2.22 Cr as on 31 March, 2021. The gearing of SKAC stood at 1.26 times as on 31 March, 2021 compared to 1.39 times as on 31 March, 2020. The gearing is expected to remain low in future due to expectations of no capex plan in the medium term. The total outside liabilities to tangible net worth (TOL/TNW) stood moderate at 4.19 times (PY 4.09) as on 31 March, 2021. The coverage indicators remained strong with ICR and DSCR standing at 9.14 times in FY 2021.

Uptrend in revenue and Stable Margins

The operating income of the company is on an uptrend in the last three years. Company improved operating income from Rs. 15.59 Cr in FY 2019 to Rs. 62.74 Cr in FY 2021. Operating margin has fluctuated from 6.12% in FY 2019 to 7.32% in FY 2020 and stood at 6.34% in FY 2021,

however operating margin has remained above 6% in the last three fiscals. PAT margin in FY 2021 stood at 5.21% due to low interest and depreciation cost.

Weaknesses

Competitive Business Environment

Shri Krishna and Company is involved in civil construction work on tender basis where the entry barriers are not so high and there is presence of numerous players in the sector which presents major challenges to the ability of Shri Krishna and Company to bid and win tenders on a sustainable basis. Intense competition can be detrimental for the entity and the business acumen of promoters and management would be key for Shri Krishna and Company's sustained growth in the medium term.

Geographical Concentration and Government business risk

Shri Krishna and Company is involved in civil construction works in Uttar Pradesh and Uttarakhand. With limited geographical presence the entity also depends upon funds from completed government projects. Any approval or payment related delays from government departments can seriously affect the cashflows of Shri Krishna and Company and the risk of concentrated geographical presence would mean that the entity would not have other sources of revenue to sustain operations which could affect topline significantly.

Rating Sensitivities

- Ability of Company to execute projects in hand on time.
- Movement of raw material prices.
- Timely payments by Government departments.
- Company's ability to grow in terms of revenue while improving or maintaining the profitability position.

Material covenants

None.

Liquidity Position: Adequate

The company has adequate liquidity position. Company generated net cash accruals of Rs. 3.85 Cr in FY 2021. Going forward the company is expected to generate net cash accruals of Rs. 4.20 Cr in FY 2022 and Rs. 4.65 Cr in FY 2023 against CPLTD of Rs. 0.50 and Rs. 0.58 Cr in each respective years. The company has Rs. 8.08 Cr of investment in FY 2021 of which Rs. 6.00 is in form of fixed deposits in Punjab and Sind Bank and HDFC Bank which is almost entirely lien marked as margin money and the rest amount of Rs. 2.08 Cr is invested in group entities. In FY 2021 the company had cash and bank position of Rs. 4.03 Cr and the current ratio stood at 1.25 times.

Outlook: Stable

Acuite believes that Shri Krishna and Company will maintain a 'Stable' outlook over the medium term on the back of promoter's extensive experience and relationships with customers and suppliers, healthy financial risk profile and strong liquidity position. The outlook may be revised to 'Positive' incase the company registers higher-than-expected growth in its revenue and profitability. Conversely, the outlook may be revised to 'Negative' in case the company registers lower than expected growth in revenues and profitability or in case of deterioration in the company's financial risk profile or elongation in the working capital cycle.

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	62.74	35.27
PAT	Rs. Cr.	3.27	2.19
PAT Margin	(%)	5.21	6.21
Total Debt/Tangible Net Worth	Times	1.26	1.39
PBDIT/Interest	Times	9.14	6.78

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>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.htm>
- Application Of 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:

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Punjab and Sind Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A4+ Assigned
HDFC Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A4+ Assigned
Punjab and Sind Bank	Not Applicable	Overdraft	Not Applicable	Not Applicable	Not Applicable	1.50	ACUITE BB+ Stable Assigned
HDFC Bank Ltd	Not Applicable	Overdraft	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BB+ Stable Assigned

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About Acuité Ratings & Research

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