

## Press Release

### Kisan Irrigations And Infrastructure Limited

March 22, 2023

### Rating Assigned



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	62.25	ACUITE BBB+   Stable   Assigned	-
Bank Loan Ratings	47.75	-	ACUITE A2   Assigned
Total Outstanding Quantum (Rs. Cr)	110.00	-	-

### Rating Rationale

Acuité has assigned its long-term rating of '**ACUITE BBB+**' (read as **ACUITE triple B plus**) and short-term rating of '**ACUITE A2**' (read as **ACUITE A two**) to the Rs. 110.00 Cr. bank facilities of Kisan Irrigation & Infrastructure Limited (KIIL). The outlook is '**Stable**'.

#### Rationale for rating assigned

The rating assigned takes into account the established track record of operations of the company for more than four decades in the pipes and fittings industry. The rating also draws comfort from well experienced promoter's with more than three decades which helped the company to established long term relationships with its customers and suppliers. The rating also factors in the augmentation in business risk profile of the company marked by improvement in revenues owing to healthy scale of operations. However, the profitability of the company remain moderate despite improvement in revenues. The rating also factors in the healthy financial risk profile and adequate liquidity of the company. However, the rating is constrained by working capital intensive nature of operations, exposure to intense competition in the industry and susceptibility in profitability towards volatility in raw material prices.

### About the Company

Mumbai based Kisan Irrigations and Infrastructure Limited was incorporated in 1973 by Mr. Ramesh Jagannath Aggarwal and family. The company is engaged in manufacturing a wide range of pipe fittings including PVC, HDPE, LDPE, CPVC, CPVC, Suction hoses, flexible hoses, etc. These products find application in different sectors including water resource management, agriculture, building & construction, infrastructure, telecommunication, and micro-irrigation, etc. The company mainly sells products through a network of around 1000 dealers & distributors spread across the country and sells under the brand name Kisan & KSR. It also supplies to private companies and contractors who undertake infrastructure projects.

### Analytical Approach

Acuité has considered standalone business and financial risk profile of Kisan Irrigation and Infrastructure Limited to arrive at the rating.

## **Key Rating Drivers**

### **Strengths**

#### **Established track record of operations and extensive experience of promoters**

KILL was incorporated in 1973 with a long and well established track record of operations for more than four decades in the pipes and fittings industry. The company started its business with manufacturing of suction hoses and flexible hoses and later diversified its business towards other pipe and fitting segments. Currently, the company offers well diversified portfolio of products with more than 1000 SKUs under its brands 'KSR' and 'Kisan' including PVC, HDPE, LLDPE, PPRC, CPVC pipes, Water Tank among others. These products find applications in different sectors including water resource management, agriculture, building & construction, infrastructure, telecommunications, and micro irrigation etc.

Furthermore, the promoters of the company are well experienced with more than three decades of experience in the pipe & fitting industry which helped the company to established long term relationships with its customers and suppliers over the years.

Acuité believes that the long operational track record of the company coupled with extensive experience of the management will continue to benefit the company going ahead.

#### **Augmentation in business risk profile**

The business risk profile of the company witnessed growth over the years led by improvement in revenue from operations. The revenues of the company witnessed a CAGR growth of ~22% in over FY20-22 period. The operations of the company reported growth in operating income to Rs. 485.14 Cr. in FY22 as against Rs. 365.27 Cr. in FY21 with a growth of ~33% during the period. The improvement was majorly on account of improvement in demand for plastic pipes and fittings. Furthermore, the company achieved net sales for April 2022 – January 2022 of Rs. 458.20 Cr. The company offers wide range of products categorised into segments namely PVC pipes & fittings, HDPE & others, CPVC and some trading activities as well. Major portion of the revenues come from PVC and HDPE segments which contributes ~44% each to the overall revenues.

However, the profitability of the company remained modest due to volatility in raw material prices. The operating profit margin of the company stood at 6.42% in FY22 compared against 9.11% in FY21 and 6.20% in FY20. Simultaneously, the PAT margins of the company remained at 3.01% in FY22 as compared to 4.49% in FY21 and 1.29% in FY20.

Acuité believes that the ability of the company to maintain its scale of operations and improve in profitability will going to remain a key monitorable over the medium term.

#### **Healthy Financial Risk Profile**

The financial risk profile of the company is healthy marked by moderate net worth, low gearing, and comfortable debt protection metrics. The tangible net worth of the company stood moderate at Rs.81.34 Cr. in FY22 as compared to Rs. 66.73 Cr. in FY21. The total debt of the company stood at Rs. 50.13 Cr. as on 31st March 2022 as against Rs. 41.23 Cr. as on 31st March 2021. The debt outstanding of the company comprises of long-term debt of Rs. 31.40 Cr. and Rs. 18.73 Cr. of short-term debt.

The gearing of the company remained low at similar levels of 0.62 times as on 31 March 2022. The TOL/TNW improved and stood at 1.57 times as on 31st March 2022 as against 1.80 times as on 31st March 2021. The debt protection metrics remains comfortable with debt service coverage ratio of 1.98 times in FY22 and interest coverage ratio stood at 4.62 times in FY22.

Acuité believes that the financial risk profile of the company will continue to remain healthy on account of steady cash accruals and no major debt funded capex plans.

### **Weaknesses**

### **Working capital intensive nature of operations**

The operations of the company are working capital moderate in nature marked by GCA days of 110 days for FY22 compared against 126 days for FY21. The GCA days is majorly on account of inventory levels of 63 days for FY22 compared against 78 days for FY21. Furthermore, the receivable days of the company stood at 43 days for FY22 compared against 38 days for FY21. The creditor days of the company stood at 45 days for FY22 compared against 63 days for FY21. Also, the company allows average credit period of 40-45 days to its customers and in case of its domestic suppliers, the company receives a credit period of 0 to 20 days. The company maintains inventory of raw material for a period of 15-25 days and finished goods for around 45 days. However, the average working capital limit utilisation by the company remained moderate at 58.68% for fund-based facilities and 68.92% for non-fund-based facilities for the six months ended December 2022.

Acuité believes that the working capital management from the company will remain a key rating sensitivity going ahead.

### **Susceptibility of profitability to input price volatility and forex rates**

The company is vulnerable to adverse fluctuations in raw material prices and foreign currencies. The raw materials (Resin, high density polyethylene) are predominantly crude oil derivatives, and their prices move in line with crude oil rates. Also, the company imports ~20% of the raw material which are associated with foreign currency fluctuation risk. However, the company has mitigated such risk to some extent by taking hedging process into consideration. Acuité believes that any major fluctuations in the raw material prices and foreign currency will likely to impact the profitability of the company going ahead.

### **Exposure to Intense competition in a fragmented industry**

The company faces intense competition due to many unorganised firms with local presence in the piping industry, as well as several large, organised players in the country. Due to intense pricing competition among the many unorganised businesses in the market, there is intense competition among the already established players. Yet, more organised firms have a better position in the market because to their superior quality, reputation, and capacity for bargaining with raw material suppliers.

### **Rating Sensitivities**

- Increase in scale of operations with improvement in profitability margins.
- Any elongation in working capital cycle resulting in stretch liquidity position.

### **Material covenants**

None

### **Liquidity Position Adequate**

The liquidity position of the company remained adequate on account of adequate net cash accruals against matured debt obligations. The net cash accruals of the company stood at Rs.20.09 Cr. against matured debt obligations of Rs.6.73 Cr. during the same period. Also, the company is expected to generated net cash accruals of Rs.27.12 Cr. to Rs.32.08 Cr. in FY23-24 period as against maturing repayment obligations of Rs.7.31 Cr. to Rs.7.88 Cr. during the same period. Furthermore, the average fund-based utilisation by the company remain moderate at 58.68% for last six months ended December 2022. Also, the company maintains a cash balance of Rs. 3.39 crore as on 31st March 2022. Acuité believes that the liquidity position of the company will continue to remain adequate on account of adequate net cash accruals against its matured repayment obligations.

## Outlook: Stable

Acuité believes that outlook on the company will continue to remain 'stable' over the medium term on account of established track record of operations in the pipes and fittings industry with experienced management. The outlook may be revised to 'Positive' if there is substantial and sustained improvement in the company's profitability and networth, while maintaining efficient working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of further weakening of its capital structure and debt protection metrics.

## Other Factors affecting Rating

None

## Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	485.14	365.27
PAT	Rs. Cr.	14.61	16.40
PAT Margin	(%)	3.01	4.49
Total Debt/Tangible Net Worth	Times	0.62	0.62
PBDIT/Interest	Times	4.62	4.14

## 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>
- Entities In Manufacturing Sector:- <https://www.acuite.in/view-rating-criteria-59.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

## Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite' s categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in)

## Rating History :

Not Applicable

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
SVC Co-Op Bank Limited	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	0.50	ACUITE A2   Assigned
Punjab National Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	2.25	ACUITE A2   Assigned
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	17.00	ACUITE BBB+   Stable   Assigned
SVC Co-Op Bank Limited	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	13.50	ACUITE BBB+   Stable   Assigned
Punjab National Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	24.25	ACUITE A2   Assigned
SVC Co-Op Bank Limited	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	20.75	ACUITE A2   Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	13.38	ACUITE BBB+   Stable   Assigned
Punjab National Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.70	ACUITE BBB+   Stable   Assigned
Punjab National Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	2.39	ACUITE BBB+   Stable   Assigned
Punjab National Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	3.82	ACUITE BBB+   Stable   Assigned
SVC Co-Op Bank Limited	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.07	ACUITE BBB+   Stable   Assigned
SVC Co-Op Bank Limited	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	2.08	ACUITE BBB+   Stable   Assigned
SVC Co-Op Bank Limited	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	3.82	ACUITE BBB+   Stable   Assigned
SVC Co-Op Bank Limited	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	5.49	ACUITE BBB+   Stable   Assigned

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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