



## Press Release

Shri Keshav Cements and Infra Limited

October 08, 2020

### Ratings

Facility*	Amount (Rs. Crore)	Rating	Rating Action
Long Term Fund based facilities - Term Loan	112.47	IVR B+ /Stable (IVR Single B Plus with Stable Outlook)	Assigned
Long Term Fund based facilities - Cash Credit	27.93	IVR B+ /Stable (IVR Single B Plus with Stable Outlook)	Assigned
<b>Total</b>	<b>140.40</b>		

\*Details of Facilities are in Annexure 1

### Detailed Rationale

The ratings assigned to the bank facilities of Shri Keshav Cements and Infra Limited (SKCIL) takes into account its experienced promoters and higher operating margins. These are partially offset by stretched liquidity, modest financial risk profile, exposure to weather conditions, project implementation risk, input costs related risk and intensely competitive industry.

### Key Rating Sensitivities

#### Upward Factors

- Growth in operating income with improvement in margins leading to improvement in cash accruals on a sustained basis
- Timely completion of the project with no cost overruns

#### Downward Factors

- Dip in operating income and/or profitability impacting the debt coverage indicators or liquidity on a sustained basis
- More delay in solar plant project which leads to cost overruns
- Any adverse government regulations.



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### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

**Experienced promoters and management:** Shri Keshav Cements and Infra. Ltd. (SKCIL) (Formerly KATWA UDYOG LIMITED) was incorporated in 1993 and is listed on BSE. The company is promoted by Mr. H. D. Katwa, Mr. Venkatesh H Katwa, Mr. Vilas Katwa; Mr. Deepak Katwa. The Management of the company is handled by directors who have experience in Cement, Real Estate, Non Banking Finance and IT development services for more than 20 years.

**Improved Operational profits:** The Company primarily derives its revenues from Cement, Electricity Power sales and Retail Fuel pumps. The EBITDA margins improved from 36.05% in FY2019 to 39.08% in FY2020 driven by increased EBIT from cement and solar power division. As of March 31, 2020, the cement division sales stood at Rs. 51.72 crore and EBIT stood at Rs. 12.41 crore whereas the Solar Power division sales stood at Rs. 7.01 crore and EBIT at Rs. 2.46 crore. The company sells the power on Grid to various private clients and in turn realizes better operational revenue & improved profits.

#### Key Rating Weaknesses

**Modest financial risk profile:** The Company's total income in FY2020 decreased slightly by 3% on a y-o-y basis amounting to Rs. 68.01 crore. The overall gearing and Long term debt Equity ratio stood high at 3.27x & 2.64x respectively in FY2020. The total outside liabilities to Tangible Net worth stood high at 4.23x. During Q1FY2021 the total income declined on a y-o-y basis and reported PAT losses on account of shutdown of its cement plant & subdued demand led by COVID-19 related lockdown across the country.

**Project implementation risk:** The Company is undertaking to set-up a proposed solar power project of 12 MWp at Bisarahalli, Karnataka. The total cost of the project is proposed to be financed by debt and equity in the proportion of 70:30. The ability of the company to execute the project without time and cost overruns and obtain timely funding, are the key rating monitorable



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**Exposure to Weather conditions:** Basic feature in solar power plants is that the revenue generation is directly linked with the prevalent weather conditions & solar radiations levels. Other parameters like design of the plant, inverter efficiency and module degradation can lead to losses. Hence the revenue generated from solar plant is vulnerable to adverse weather conditions

**Input costs related risk and Intensely competitive industry:** The profitability is susceptible to volatility in input costs, such as material, power, fuel and freight costs in line with the industry. Cement industry is one of the highly competitive markets in India. Many players in the industry have huge amounts of capital invested in the business which raises the exit barrier for the companies and hence the companies compete aggressively.

**Analytical Approach:** Standalone

### Applicable Criteria

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-Financial Sector)

### Liquidity: Stretched

The Gross cash accruals stood at Rs. 9.65 crore in FY2020 as against loan repayments of Rs. 12.62 crore falling due over the next 12 months excluding the moratorium. The company has availed loan moratorium of 6 months, as per the RBI directives. The average Cash Credit utilization for past 12 months ended Aug 2020 is at 92.56%, hence have a very limited cushion in the working capital limits. The current ratio stood below unity at 0.48x in FY2020.

### About the Company

Shri Keshav Cement and Infra Ltd. (SKCIL) (Formerly KATWA UDYOG LIMITED) is the flagship Public limited Company incorporated in the year 1993 to manufacture Ordinary Portland Cement. SKCIL primarily drives revenues from Cement, Electricity Power sales and Retail Fuel pumps. SKCIL manufactures cement at two locations – Lokapur and Kaladgi in



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Bagalkot Districts, Karnataka and Power Generation at Koppal, Dist, and Karnataka. Retail Fuel pump within the premises of Cement Plant at Lokapur, Karnataka.

### Financials: Standalone

(Rs. crore)

For the year ended*/As on	31-03-2019	31-03-2020
	Audited	Audited
Total Operating Income	70.03	68.01
EBITDA	25.25	26.58
PAT	-20.25	-7.64
Tangible Net worth	0.64	21.07
Adjusted Tangible Net worth	43.31	41.83
EBITDA Margin (%)	36.05	39.08
PAT Margin (%)	-28.73	-11.15
Overall Gearing Ratio (x)	3.25	3.27

\*As per Infomerics Standards

For the quarter ended*	Q1FY2020	Q1FY2021
	Unaudited	Unaudited
Total Operating Income	20.07	14.30
EBITDA	9.63	7.37
PAT	3.29	-0.27
EBITDA Margin (%)	28.42	25.53
PAT Margin (%)	16.41	-1.88

\*As per Infomerics Standards

**Status of non-cooperation with previous CRA: Nil**

**Any other information: Nil**



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### Rating History for last three years:

Sr. No.	Name of Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Ratings	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Term Loan	Long Term	112.47	IVR B+/Stable Outlook (IVR Single B Plus with Stable Outlook)	NA	NA	NA
2..	Cash Credit	Long Term	27.93		NA	NA	NA
<b>Total</b>			<b>140.40</b>				

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).

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### About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.



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### ANNEXURE I

#### Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities – Term Loan	-	-	31-03-2027	112.47	IVR B+/Stable Outlook (IVR Single B
Long Term Bank Facilities – Cash Credit	-	-	-	27.93	Plus with Stable Outlook)
<b>Total</b>				<b>140.40</b>	