



Press Release

Kings Infra Ventures Limited

November 03, 2023

Ratings

Instrument/ Facility	Amount (Rs. Crore)	Ratings	Rating Action	<u>Complexity Indicator</u>
Long Term Bank Facilities	10.40 (Reduced from 11.50 crore)	IVR BB-/ Stable (IVR Double B Minus with Stable Outlook)	Revised	Simple
Short Term Bank Facilities	3.00	IVR A4 (IVR A Three)	Reaffirmed	Simple
Total	13.40 (Rupees Thirteen crore and Forty lakh only)			
Non-Convertible Debentures	3.71 (reduced from Rs.9.07 crore)	IVR BB-/ Stable (IVR Double B Minus with Stable Outlook)	Revised	Simple
Proposed Non- Convertible Debentures	-	Withdrawn	Withdrawn *	Simple
Non-Convertible Debentures (ISIN: INE050N07215)	-	Withdrawn	Withdrawn **	Simple

* The above action has been taken at the request of KVIL to withdraw the proposed rating of Rs. 15.91 crores.

** The above action has been taken as the NCD (ISIN: INE050N07215) was repaid on November 09, 2022.

Details of Facilities are in Annexure 1

Detailed Rationale

The revision in the ratings of Kings Infra Ventures Limited (KVIL) to the NCDs and bank loan facilities factors in timely debt servicing since November 12, 2022. It derives strength from experienced promoters, favourable location for breeding and processing of sea food,



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consistent demand for seafood products in international market and moderate capital structure and debt protection metrics. The ratings however constrained by small scale of business operations, ongoing capex with project implementation risk, working capital intensive nature of business and highly fragmented industry coupled with intense competition.

Key Rating Sensitivities:

Upward Factors

- Substantial & sustained improvement in the company's revenue and/or profitability while maintaining the debt protection parameters
- Sustenance of the capital structure and improvement in debt protection metrics..

Downward Factors

- Any decline in scale of operations and/or profitability leading to sustained deterioration of liquidity and/or debt protection parameters.
- Deterioration in the capital structure and debt protection metrics.
- Any delay in progress or execution in the capex.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Extensive industry experience of the promoters**

The promoters have experience of over four decades in aquaculture farming. This has given them an understanding of the dynamics of the market and enabled them to establish relationships with suppliers and customers.

- **Favorable location for breeding and processing of sea food**

Tamil Nadu has the second longest coastline in the country with rich natural resources in coastal areas for coastal aqua farming and the company's processing facility is located near the aqua farms. The total estimated brackish water area of Tamil Nadu is about 56,000 ha is under capture fisheries and an area of 6115.68 ha is under coastal aquaculture production, mainly shrimp aquaculture.

- **Consistent demand for seafood products in international market**

The main product of the company is Vannamei shrimps which has a huge demand in domestic as well as in global market like USA, Japan, European Union and Asia/ Asia



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Pacific and other markets. India is one the top exporter in aquaculture sector. The main products of the company are Vannamei shrimps packed as head on and headless in frozen blocks or shatter packs in retail as well as institutional packs, cuttlefish, squids, octopus and other fish varieties. The company has diversified client base within global market as well as in the domestic market.

- **Moderate capital structure and debt protection metrics**

The overall gearing ratio and TOL/TNW improved to 0.75x and 0.88x respectively as on March 31, 2022 from 0.75x and 1.00x respectively as on March 31, 2021. However, the same marginally deteriorated to 0.82x and 0.98x respectively as on March 31, 2023, mainly on account of increase in total debt. Interest coverage ratio has improved to 2.41x in FY22 over 2.06x in FY21, the same has further improved to 4.07x in FY23, mainly on account of improvement in profit margin. Total debt to GCA has improved to 6.98x in FY22 over 14.54x in FY21 and the same has further improved to 4.88x in FY23.

Key Rating Weaknesses

- **Small scale of operations**

The scale of operations of the company continues to remain small over the years despite KIVL's long presence in the industry. The total operating income of the company has improved at Rs.60.89 crore in FY23 over Rs.39.81 crore in FY22. KIVL's net worth stood at Rs.30.15 crore as on March 31, 2022 over Rs.27.17 crore as on March, 2021. The same stood at Rs.35.94 crore as on March 31, 2023. EBITDA and PAT margin have improved to 12.83% and 7.20% in FY22 over 10.70% and 3.75% in FY21, mainly on account of improvement in raw material prices. The same have further improved to 16.95% and 9.46% in FY23. The small scale of operations restricts the financial flexibility of the company to an extent.

- **Ongoing capex with project implementation risk**

KIVL is incurring capex of Rs.42.5 crores during FY24 funded through mix of debt and equity. KIVL is yet to tie-up for the debt for this capex. KIVL is enhancing its pond capacity through this capex. As per management new pond is expected to operational by end of FY24.

- **Working capital intensive nature of business**



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KIVL's business is working capital intensive in nature, and the average operating cycle was around 210 days in FY23. The high operating cycle is primarily on account of high inventory period which stood at 146 days in FY23, due to nature of aqua farming business as the same is a time-consuming process.

- **Highly fragmented industry coupled with intense competition**

The aquaculture industry is highly fragmented and competitive with the presence of large number of organised and unorganised players. As a result, the company faces intense competition from unorganized players in the industry. Apart from the unorganised sector, KIVL also faces competition from the organized sector players.

Analytical Approach: Standalone

Applicable Criteria:

[Policy on Default Recognition](#)

[Criteria of assigning Rating outlook](#)

[Rating Methodology for Manufacturing Companies](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\)](#)

[Policy on Withdrawal of Ratings](#)

Liquidity – Stretched

KIVL has stretched liquidity position marked by intensive working capital operations with operating cycle of more than 230 days in the last two years ended FY23 leading to higher reliance on its working capital limits. The liquidity is likely to remain stretched in the near term. The cash accruals match moderately with the repayment obligations. Further, the average working capital utilization of the company remains high at ~93%. The current ratio stood at 1.74x in FY23. The ongoing capex is also expected to affect the liquidity position of the company in the near term. .

About the Company

KIVL was incorporated in the year 1987. Earlier, the company was engaged in real estate and properties business. From the year 2017 onwards, the company diversified its business



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activity in Sea Food Processing business. From FY21 onwards, the company is engaged only in sea food processing business.

The cultivation and processing facility is located at Tuticorin, Tamil Nadu and owns land of 126 acres. The company has a production capacity of 320 MTPA after sourcing the stock from the farmers.

The company is deriving revenue from domestic market (75%) and through exports (25%) to countries like Vietnam, Spain, Thailand and Oman. The company is set to close major export deals with US, Japan & China. The company is focusing on aquaculture farming, marine products processing, international trade and sustainable food production consultancy services, sees greater traction in export demand during the year. The company has also entered into strategic partnerships with stakeholders in the value chain linked to aquaculture farming and shrimp exports. The partnership with the US company is for supplying nearly 100 containers of IQF shrimp.

Financials (Standalone)*:

For the year ended / As on	(Rs. Crore)	
	31-Mar-2022 (Audited)	31-Mar-2023 (Audited)
Total Operating Income	39.81	60.89
EBITDA	5.11	10.32
PAT	2.96	5.79
Total Debt	22.55	29.44
Tangible Net worth	30.15	35.94
EBITDA Margin (%)	12.83	16.95
PAT Margin (%)	7.20	9.46
Overall Gearing Ratio (times)	0.75	0.82

*Classification as per Infomerics standards

Status of non-cooperation with previous CRA: Nil.

Any other information: None

Rating History for last three years:



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Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22 (January 14, 2022)	Date(s) & Rating(s) assigned in 2020-21 (January 18, 2021)
1.	Non-Convertible Debentures	Long Term	3.71	IVR BB-/ Stable	<ul style="list-style-type: none"> November 11, 2022 IVR C/ Stable July 25, 2022 IVR BB-/ Stable 	IVR BB-; Issuer Not Cooperating	IVR BB-/ Stable
2.	Proposed Non-Convertible Debentures	Long Term	-	Withdrawn	<ul style="list-style-type: none"> November 11, 2022 IVR C/ Stable July 25, 2022 IVR BB-/ Stable 	IVR BB-; Issuer Not Cooperating	IVR BB-/ Stable
3.	Non-Convertible Debentures (ISIN: INE050N07215)	Long Term	-	Withdrawn	<ul style="list-style-type: none"> November 11, 2022 IVR D July 25, 2022 IVR BB-/ Stable 	IVR BB-; Issuer Not Cooperating	IVR BB-/ Stable
4.	Long Term Bank Facilities	Long Term	10.40	IVR BB-/ Stable	<ul style="list-style-type: none"> November 11, 2022 IVR C/ Stable July 25, 2022 IVR BB-/ Stable 	IVR BB-; Issuer Not Cooperating	IVR BB-/ Stable
5.	Short Term Bank Facilities	Short Term	3.00	IVR A4	<ul style="list-style-type: none"> November 11, 2022 IVR A4 July 25, 2022 IVR A4 	IVR A4; Issuer Not Cooperating	IVR A4

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About Infomerics:

Infomerics Valuation and Rating Private Limited (Infomerics) was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities.

The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit www.infomerics.com

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Annexure 1: Details of Instruments/ Facilities

Name of Facility	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
NCD	INE050N07041	June 22, 2020	14.87%	June 21, 2025	0.20	IVR BB-/ Stable
NCD	INE050N07058	June 22, 2020	14.87%	June 21, 2025	0.18	IVR BB-/ Stable
NCD	INE050N07173	November 9, 2020	14.87%	November 8, 2025	1.01	IVR BB-/ Stable
NCD	INE050N07181	November 9, 2020	13.00%	November 8, 2023	0.07	IVR BB-/ Stable
NCD	INE050N07199	November 9, 2020	12.50%	November 8, 2023	0.05	IVR BB-/ Stable
NCD	INE050N07223	November 23, 2020	14.87%	November 22, 2025	0.13	IVR BB-/ Stable
NCD	INE050N07231	November 23, 2020	12.50%	November 22, 2023	0.01	IVR BB-/ Stable
NCD	INE050N07264	December 10, 2020	12.50%	December 9, 2023	0.12	IVR BB-/ Stable
NCD	INE050N07298	December 22, 2020	13.00%	December 21, 2023	0.10	IVR BB-/ Stable
NCD	INE050N07330	January 22, 2021	12.50%	January 21, 2024	0.15	IVR BB-/ Stable
NCD	INE050N07348	January 22, 2021	14.87%	January 21, 2026	0.07	IVR BB-/ Stable
NCD	INE050N07371	January 22, 2021	13.00%	January 21, 2024	0.09	IVR BB-/ Stable
NCD	INE050N07389	January 22, 2021	14.87%	January 21, 2026	0.01	IVR BB-/ Stable
NCD	INE050N07413	February 15, 2021	14.87%	February 14, 2026	0.08	IVR BB-/ Stable



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Name of Facility	ISIN	Date of Issuance	Coupon Rate/IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/Outlook
NCD	INE050N07447	February 25, 2021	14.87%	February 24, 2026	0.02	IVR BB-/Stable
NCD	INE050N07470	February 25, 2021	12.50%	February 24, 2024	0.06	IVR BB-/Stable
NCD	INE050N07496	March 17, 2021	12.50%	March 16, 2024	0.11	IVR BB-/Stable
NCD	INE050N07512	May 26, 2021	14.87%	May 25, 2026	0.02	IVR BB-/Stable
NCD	INE050N07546	June 16, 2021	13.00%	June 15, 2024	0.04	IVR BB-/Stable
NCD	INE050N07603	July 9, 2021	12.50%	July 8, 2024	0.04	IVR BB-/Stable
NCD	INE050N07652	August 13, 2021	12.50%	August 12, 2024	0.50	IVR BB-/Stable
NCD	INE050N07660	August 13, 2021	14.87%	August 12, 2026	0.13	IVR BB-/Stable
NCD	INE050N07686	January 4, 2022	14.87%	January 3, 2027	0.07	IVR BB-/Stable
NCD	INE050N07702	January 4, 2022	12.50%	January 3, 2025	0.01	IVR BB-/Stable
NCD	INE050N07710	January 4, 2022	13.00%	January 3, 2025	0.03	IVR BB-/Stable
NCD	Under process	November 24, 2021	12.75%	November 23, 2023	0.02	IVR BB-/Stable
NCD	Under process	April 25, 2021	12.50%	April 26, 2024	0.15	IVR BB-/Stable
NCD	Under process	April 25, 2021	12.50%	April 26, 2024	0.15	IVR BB-/Stable
NCD	Under process	March 31, 2022	14.87%	March 30, 2027	0.01	IVR BB-/Stable
NCD	Under process	November 24, 2021	12.75%	November 23, 2023	0.10	IVR BB-/Stable



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Name of Facility	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
GECL	-	-	-	June 2024	1.60	IVR BB-/ Stable
GECL 1.0 Extension)	-	-	-	December 2026	0.80	IVR BB-/ Stable
Cash Credit	-	-	-	-	8.00	IVR BB-/ Stable
Foreign documentary demand bills/Usance Bills, backed by Confirmed LCs of Bank's Approved (FO(U)BNLC)		-	-	-	3.00	IVR A4

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-Kings-nov23.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities:

Non-convertible debentures	Detailed Explanation
Information covenants	<p>Objects of the Issue: To meet the ongoing funding requirements for expansion of seafood processing facilities, redevelopment and expansion of aquaculture facilities, Infrastructure for food, production, marketing, exports and other business operations of the Company.</p> <p>Details of the utilization of the proceeds: To meet the ongoing funding requirements for expansion of seafood processing facilities, redevelopment and expansion of aquaculture facilities, Infrastructure for food, production, marketing, exports and other business operations of the Company.</p> <p>Coupon payment dates: Monthly or Annually depending on the scheme opted.</p>



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Non-convertible debentures	Detailed Explanation
	<p>Coupon Type: Fixed</p> <p>Event of Defaults: (i) Default in payment of monies due in respect of interest/principal owing upon the Debentures; (ii) Default in payment of any other monies including costs, charges and Expenses incurred by the Trustees.</p>

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.

