



Press Release

Krishna Defence and Allied Industries Limited (KDAIL)

January 25, 2023

Ratings

Facilities	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	14.06	IVR BB+/ Stable (IVR Double B plus With Stable Outlook)	Assigned	Simple
Short Term Bank Facilities	19.00	IVR A4+ (IVR A Four plus)	Assigned	Simple
Proposed Long Term Bank Facilities	1.94	IVR BB+/ Stable (IVR Double B plus With Stable Outlook)	Assigned	Simple
Total	35.00			

Details of facilities are in Annexure 1

Detailed Rationale

The rating assigned to the bank facilities of Krishna Defence and Allied Industries Limited derive comfort from experienced management with an established track record of operations and moderate financial risk profile. However, these rating strengths remain constrained by small scale of operations, cyclicalities in the steel industry and elongated operating cycle.

Key Rating Sensitivities:

Upward Factor:

- Substantial & sustained improvement in scale of operations
- Improvement in operating cycle with improvement in the average collection period on
- a sustained basis.

Downward Factor:

- Any decline in revenue and/or profitability impacting the debt protection metrics and liquidity.



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Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced management with an established track record of operations:

Krishna Defence and Allied Industries Limited. is promoted by experienced and qualified promoters having intense knowledge in the business, Mr. Ankur Ashwin Shah is involved in managing the overall business operations, Mr. Sandeep Ramrao Kadam is involved in the manufacturing and engineering operations, Mrs. Preyal Ankur Shah is looking after administration related activities and Mr. Divyakant Ramniklal Zaveri & Mr. Jaykumar Toshniwal looks after and have rich experience in finance and capital markets.

Longstanding presence of the promoters and directors in the industry has helped the company to establish strong relationships with customers and suppliers, withstand industry cycles and diversify the product profile.

Moderate Financial Risk Profile:

The DSCR ratio is improving to 2.10x in FY22 as compared to 2.00x in FY21. The current ratio is moderate at 1.47x for FY22. ATNW stands at Rs 35.29 crore in FY22 as compared to Rs 24.25 crore in FY21. Overall Gearing and TOL/TNW stood at 0.96 times and 1.58 times respectively in FY22 as against 1.40 times and 1.82 times respectively in FY21.

Satisfactory Order book position with reputed clientele

KDAIL has a satisfactory order book position with the company having orders to the tune of Rs.39.32 crore as on December, 2022. The order book of KDAIL is diversified across Defense sector and Dairy sector as well as Kitchen Equipment segment. The total order book broadly consists of ~95% of defense segment.

Key Rating Weaknesses

Small scale of operations:

Despite its long track record of operations, the scale of operations of the company remained modest in the past three fiscal. The total operating income continued to remain small and stood at Rs.49.92 crore in FY22 as against Rs.35.03 crore in FY21. Further, during 6MFY23, the company has achieved a total operating income of Rs.19.55 crore.



Press Release

Cyclicality in the steel industry:

The domestic steel industry is cyclical in nature and is likely to impact the cash flows of the steel players, including KDAIL. The steel industry is cyclical in nature and witnessed prolonged periods where it faced a downturn due to excess capacity leading to a downtrend in the prices. Further, the company's operations are vulnerable to any adverse change in the global demand-supply dynamics.

Elongated operating cycle

The operating cycle of the company remained high over the past years. The elongated operating cycle was mainly due to its high inventory days mainly attributable to its high work in progress days in defense segment along with high collection period. The company stretched its creditors as well as working capital facility to support its high working capital requirements.

Analytical Approach: Standalone Approach

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria on Rating Outlook](#)

Liquidity - Adequate

The liquidity position of the company remains adequate as cash accruals are expected to remain sufficient to meet the repayment obligations. Further, the company had adequate gross cash accruals of Rs 4.22 crore in FY22(A) against the debt repayment of Rs.0.92 crore. The average fund-based facilities utilisation for the last 12 months ended November 2022 stood at 85.92% for Axis Bank and 62.38% for PNB Bank indicating moderate liquidity cushion. The current ratio stood adequate at 1.47 times as on 31st March 2022. Cash and Cash equivalent amounted to Rs 7.51 crore as on 31st March 2022.



Press Release

About the Company

Krishna Defence & Allied Industries Limited formerly known as Krishna Allied Industries Ltd was incorporated on September 10, 2013, is engaged in the diversified business of manufacturing equipment for Defence, Security, Dairy & Mega Kitchen equipment. To facilitate these 4 verticals, KDAIL has two manufacturing plants located at Kalol and Halol, Panchmahal District, Gujarat. The company combines its manufacturing strength with a path-breaking strategy to serve the different verticals, Kalol Plant manufactures Dairy & Kitchen equipment, while Halol Plant is engaged in manufacturing Defence and Homeland Security Products.

Financials (Standalone)

For the year ended* As on	INR in Crore	
	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	35.03	49.92
EBITDA	4.61	6.89
PAT	1.86	2.46
Total Debt	20.85	17.58
Adjusted Tangible Net Worth	24.25	35.29
EBITDA Margin (%)	13.17	13.80
PAT Margin (%)	5.13	4.88
Overall Gearing Ratio (x)	0.81	0.34

* Classification as per Infomerics' standards

Status of Non-cooperation with previous CRA: N.A.

Any other information: N.A.



Press Release

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Fund Based Long Term Bank Facilities	Long Term	14.06	IVR BB+/ Stable	-	-	-
2.	Short Term Bank Facilities	Short Term	19.00	IVR A4+			
3.	Fund Based Long Term Bank Facilities – Proposed	Long Term	1.94	IVR BB+/ Stable	-	-	-

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About Infomerics:

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



Press Release

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund Based Facilities – Term Loan	-	-	Upto FY2029	2.06	IVR BB+/ Stable
Long Term Fund Based Facilities – Cash Credit	-	-	-	12.00	IVR BB+/ Stable
Short Term Non-Fund Based Facilities – Bank Guarantee	-	-	-	19.00	IVR A4+
Long Term Fund Based Facilities – Proposed	-	-	-	1.94	IVR BB+/ Stable

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

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-KDAIL-jan23.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

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.