Krivi Energy Private Limited (KEPL)
(Erstwhile Krivi-Tex Private Limited)

December 19th, 2024

Ratings

Facilities	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long term Bank Facilities	14.10	IVR BBB/ Stable [IVR Triple B with Stable Outlook]	IVR BBB/ Stable [IVR Triple B with Stable Outlook]	Reaffirmed	Simple
Short term Bank Facilities	60.90	IVR A3+ [IVR A Three Plus]	IVR A3+ [IVR A Three Plus]	Reaffirmed	Simple
Long term Bank Facilities	0.50	IVR BBB/ Stable [IVR Triple B with Stable Outlook]	IVR BBB/ Stable [IVR Triple B with Stable Outlook]	Reaffirmed	Simple
Long term Bank Facilities – Proposed Cash credit	5.90	IVR BBB/ Stable [IVR Triple B with Stable Outlook]	-	Assigned	Simple
Short term Bank Facilities – Proposed Letter of Credit	19.10 (Reduced from Rs.24.50 crore)	IVR A3+ [IVR A Three Plus]	IVR A3+ [IVR A Three Plus]	Reaffirmed	Simple
Total	**Rs.100.50 Crore (Rupees One Hundred Crore and fifty lakhs Only)**				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

Infomerics has reaffirmed/assigned the rating assigned to the bank facilities of KEPL. The rating reaffirmation reflects expected significant growth in revenue during FY25 with revenue from solar EPC segment, with comfortable capital structure strengthened by expected equity infusion during FY25, strong debt protection metrics and experienced promoters. The rating strengths are, however, constrained by working capital intensive nature of business and stiff competition and low entry barriers to trading and the volatile nature of yarn prices.

The Stable Outlook reflects expected KEPL will continue to benefit from experienced promoters and expected revenue growth from solar EPC segment.

Key Rating Sensitivities:

Upward Factors

- Sustained improvement in revenue and profitability while maintaining current debt protection metrics and generation of positive cash flow from operations on a sustained basis.

Downward Factors

- Sustained decline in revenue and profitability and/or deterioration in working capital cycle and/or any unplanned debt fund led capex leading to deterioration in credit profile and the liquidity position.

List of Key Rating Drivers with Detailed Description

A. Key Rating Strengths

Expected strong revenue growth and profitability with entering into EPC segment:

KEPL's revenue growth is expected to achieve revenue close to Rs.300 crore during FY25 with entering into solar EPC segment. KEPL has entered into solar EPC segment and received orders of Rs.307 crore which is expected to complete during FY25 and FY26. As per management, going forward, KEPL will be focussing on solar EPC segment going forward and proportion of revenue from trading of textiles is expected to reduce from FY25 onwards. KEPL has achieved revenue of Rs.164 crore till 8MFY25, and revenue has grown by 12% on y-o-y basis to Rs.165.45 crore during FY24 (Period refers from April 01st, 2023 to March 31st, 2024). KEPL EBITDA margins stood at 5.24% in FY24 (FY23: 5.58%) and achieved 7.09% at the end of 8MFY25 with higher proportion of revenue from trading of solar cells which carries higher margins as compared to trading of textiles. Infomerics expects profitability to improve from FY25 onwards with higher proportion of high margins solar EPC segment. Ability to achieve projected revenue and profitability would be a key monitorable.

Moderate order book

As on 01st October 2024. KEPL's has an unexecuted order book of Rs.307 crore which gives medium term revenue visibility and expected to execute in next 12 months.

Comfortable capital structure and expected capital infusion

KEPL's has unsecured loans of Rs.8.87 crore which is subordinated to the bank loans, and we treated as a quasi-equity. The adjusted tangible net worth including quasi equity has increased to Rs.29.17 crore as on March 31, 2024, as against Rs.24.52 crore as on March 31, 2023. The capital structure of the company marked by overall gearing ratio (including quasi) has improved to 0.39x as on March 31, 2024 (vis-à-vis 0.64x as on March 31, 2023), due to addition of unsecured loans into equity during FY24 along with stable accretion of profit to reserves. TOL/TNW has improved and remained comfortable at 1.87x as on 31st March 2024 as against 2.06x as on 31st March 2024. Infomerics expects gearing to improve further from FY25 onwards with expected equity infusion and improvement in profitability and absence of debt led capex. Promoters are in the process of raising equity of Rs.29 crore during FY25 by diluting promoters stake as per management, the proceeds are expected to receive by 4QFY25.

Strong debt protection metrics

KEPL's debt protection metrics remains comfortable with interest coverage stood at 2.55x at the end of FY24 (FY23: 2.46x) with stable profitability. Total debt / NCA stood at 2.67 years in FY24 (FY23: 3.96 years), due to repayment of term loans. The debt protection metrics are likely to remain comfortable in the medium term on account of repayments of loans and expected improvement in profitability margins.

Experienced promoters

Mr. Raj Bhalala having decades of experience in the textile industry, while Ms. Rita Bhalala having a more than decade of experience in a solar industry. Promoters have demonstrated their regular support by in the form regular fund infusion.

B. Key Rating Weaknesses

Elongated working capital cycle

The net operating cycle of KEPL's though improved but remained moderate at 59 days at the end of FY24 (FY23: 62), due to high collection days of 117 in FY24 (FY23: 99) as KEPL's gives credit period for solar segment client is 60 to 90 days and for fabric segment clients, they give maximum of 120 days. KEPL has Rs,1.32 crore debtors pending more than 365 days, as on September 30th, 2024, as per management, this is expected to receive by end of FY25.

Stiff competition & low entry barriers to trading and the volatile nature of yarn prices

The spectrum of the textile industry in which the KEPL operates is highly fragmented and competitive due to the presence of numerous players in India owing to relatively low entry barriers. Most players in the industry thus do not have pricing power. On the raw material side, the prices of cotton are determined by the demand and supply situation and minimum support prices announced by the Government.

Analytical Approach: Standalone

Applicable Criteria:

Criteria of assigning Rating Outlook

Rating Methodology for Trading companies

Financial Ratios & Interpretation (Non-Financial Sector)

Criteria on Default Recognition

Complexity Level of Rated Instruments/Facilities

Liquidity: Adequate

The liquidity profile of KEPL's is adequate with expected to generate gross cash accruals in the range of Rs. 4 crore to Rs.40 crore as against the repayment obligation of Rs.0.35 crore to Rs.1 crore over FY25 and FY27. The current ratio and quick ratio stood at 1.56x and 1.37x respectively as on March 31st, 2024 (March 31st, 2023: 1.40x and 1.16x respectively); The average fund-based bank limit utilization in the last 12 months ended September 2024, stood at 20.47%. As on September 30th, 2024, KEPL has free bank balance and free FDs to the tune of ~Rs.9.50 crore. Further the company has CC limits of Rs.14.10 crore and average utilization is ~20% over last 12 months.

About the company

KEPL is a trading company incorporated in 2013 by Ms. Rita Bhalala and Mr. Raj Bhalala. KEPL initially started trading in the field of solar panels and in 2018, KEPL diversified into trading of knitted fabrics. Currently company has entered the EPC space in Solar business.

Financials (Standalone): **(Rs. crore)**

For the year ended / As On*	31-03-2023 (Audited)	31-03-2024 (Audited)
Total Operating Income	147.51	165.45
EBITDA	8.23	8.67
PAT	3.76	4.06
Total Debt	15.64	11.40
Tangible Net Worth	14.23	20.29
EBITDA Margin (%)	5.58	5.24
PAT Margin (%)	2.55	2.45
Overall Gearing Ratio (x)	1.82	1.00
Interest Coverage (x)	2.46	2.55

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: None.

Any other information: Nil

Rating History for last three years:

Sr. No	Name of Instrument/Facilities	Current Ratings (Year 2024-25)				Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Rating (Date - December 04, 2024)	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
1.	Long term Bank Facilities	Long term	14.10	IVR BBB/ Stable	IVR BBB/ Stable	**(October 04, 2023)** IVR BBB-/ Stable	--	--
2.	Short term Bank Facilities	Short term	60.90	IVR A3+	IVR A3+	**(October 04, 2023)** IVR A3	--	--

Sr. No	Name of Instrument/Facilities	Current Ratings (Year 2024-25)				Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Rating (Date - December 04, 2024)	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
3.	Long term Bank Facilities	Long term	0.50	IVR BBB/ Stable	IVR BBB/ Stable	--	--	--
4.	Long term Bank Facilities – Proposed Cash credit	Long term	5.90	IVR BBB/ Stable	--	--	--	--
5.	Short term Bank Facilities – Proposed Letter of Credit	Short term	19.10	IVR A3+	IVR A3+	--	--	--

Name and Contact Details of the Rating Analyst:

Name: Amey Joshi Tel: (022) 62396023 Email: amey.joshi@infomerics.com

About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

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

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit www.infomerics.com.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy, or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

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 Bank Facilities – WCTL	--	--	March 2026	0.25	IVR BBB/ Stable
Long Term Bank Facilities – WCTL	--	--	March 2025	0.25	IVR BBB/ Stable
Long Term Bank Facilities – Cash Credit	--	--	Revolving	14.10	IVR BBB/ Stable
Short Term Bank Facilities – Letter of Credit	--	--	--	60.90	IVR A3+
Long term Bank Facilities – Proposed Cash credit	--	--	--	5.90	IVR BBB/ Stable
Short term Bank Facilities – Proposed Letter of Credit	--	--	--	19.10	IVR A3+

Annexure 2: Facility wise lender details:

https://www.infomerics.com/admin/prfiles/len-krivi-dec24.pdf

Annexure 3: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated analysis: 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.