



Press Release

Shri Keshav Cements and Infra Limited

June 14, 2022

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator (Simple/Complex/ Highly complex)
Long term Bank Facilities – Term loan	168.59 (Enhanced from Rs. 101.97 crore)	IVR BB+ Stable (IVR Double B Plus with Stable Outlook)	Revised from IVR BB- Stable	Simple
Long term Bank Facilities – Cash Credit	26.70	IVR BB+ Stable (IVR Double B Plus with Stable Outlook)	Revised from IVR BB- Stable	Simple
Total	195.29			

Details of Facilities are in Annexure 1

Detailed Rationale

The upgrade in the ratings is based on the improved financial performance in FY22 as reflected in improved total operating income by 41% on a yoy basis. The EBITDA margin stood healthy at 31% & PAT margins stood at 7.8% in FY22.

The ratings of the bank facilities also factor the experienced promoters and management, improving operating margins supported by revenues from solar power and modest financial risk profile. this is partially offset by revenues from solar power which is exposed to vagaries of weather conditions, input costs related risk, intense competitive industry and Elongated working capital cycle.

Key Rating Sensitivities:

Upward Factors

- Sustained growth in operating income with improvement in margins leading to improvement in cash accruals.

Downward Factors

- Dip in operating income and/or profitability impacting the debt coverage indicators or liquidity on a sustained basis.



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List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters and management:

Shri Keshav Cement & Infra. Ltd. (SKCIL) (Formerly KATWA UDYOG LIMITED) is the flagship Public limited Company incorporated in the year 1993 to manufacture Ordinary Portland Cement. The stocks are actively traded in Bombay Stock Exchange. 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.

Improving operating margins supported by revenues from Solar Power:

The Company primarily derives its revenues from Cement, Solar Power, and Retail Fuel pumps. The EBITDA margins stood higher at 31.06% as on FY22 on account of improving share of revenues from Solar power besides lower power cost for its cement manufacturing facility given it has captive solar power plants located in the vicinity. Further, the company sells excess solar power on Grid to various private clients and in turn realizes better operational revenue & improved profits. Also, there has been significant recovery in FY22 absolute PAT which stood at Rs. 9.10 Cr. as a result of commissioning of its solar project and improvement in the revenue from sale of cement resulting into PAT margin of 7.84%.

Modest financial risk profile:

The revenue has significantly increased by 41% in FY22 and was reported Rs. 113.79 Crore as against Rs. 80.44 Crore in FY21. The total debt increased from Rs. 148.98 Crore in FY21 to Rs. 177.02 Crore in FY22 as the company availed Rs. 40 Cr term loan for Bisarhalli Solar Power Plant Project. The debt protection metrics remained modest in FY22 with interest coverage ratio at 1.85x. The long-term debt to Equity and Overall Gearing ratio is elevated though improved on account of improved networth from previous year and stood at 2.86x and 2.91x respectively in FY22 as against 3.13x and 3.61x respectively in FY2021. TOL/TNW stood higher at 3.50x in FY22 due to higher DTL of Rs. 26.81 Crore in FY22 (Rs. 29.82 Cr. in FY21). The current ratio is comfortable and improved to 2.12x in FY22.



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Key Rating Weaknesses

Revenues from Solar Power is exposed to vagaries of 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 weather conditions.

Input costs related risk and Intense 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.

Elongated working capital cycle:

The operating cycle stood elongated at 136 days in FY22, albeit with an improvement over FY21 which was at 143 days. The inventory days stood higher at 134 days in FY21 (150 days in FY21) on account of higher raw material holding days.

Analytical Approach: Standalone Approach

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

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

[Criteria of Rating Outlook | Infomerics Ratings](#)



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Liquidity –Adequate

The liquidity is marked adequate as reflected from DSCR of 1.13x and current ratio of 2.12x in FY22. The company has GCA of Rs. 17.28 Cr. with the repayment obligation to the tune of Rs. 12.99 Cr. The average CC utilization stood at 72.51% for 12 months period ended March-2022 leaving modest liquidity cushion for the company in the working capital limits. Also, the company had cash and cash equivalents of Rs. 8.38 Crore as of March 31st, 2022.

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 4 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):

For the year ended/ As on*	31-03-2021 (Audited)	31-03-2022 (Audited)
Total Income	80.44	113.79
PAT	-8.44	9.10
Total Debt	148.98	177.02
Tangible Net Worth	41.32	60.85
PAT margin (%)	-10.45	7.84
Overall Gearing Ratio (x)	3.61	2.91

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: None

Any other information: NA



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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.	Term loan	Long term	168.59	IVR BB+/Stable	IVR BB-/Stable (Sep 17, 2021)	IVR B+/Stable (Oct 08, 2020)	-
2.	Cash Credit	Long term	26.70	IVR BB+/Stable	IVR BB-/Stable (Sep 17, 2021)	IVR B+ /Stable (Oct 08, 2020)	-

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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



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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
Term Loan	-	-	24 Oct 2033	68.63	IVR BB+/ Stable
Term Loan	-	-	31 Jul 2025	17.54	IVR BB+/ Stable
Term Loan	-	-	31 Jul 2025	3.78	IVR BB+/ Stable
Term Loan	-	-	09 Dec 2027	18.99	IVR BB+/ Stable
Term Loan	-	-	13 Dec 2036	39.65	IVR BB+/ Stable
Term Loan	-	-	16 Mar 2026	20.00	IVR BB+/ Stable
Cash Credit	-	-	Revolving	26.70	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-Shri-Keshav-june22.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