



## Press Release

**M/s Shri Keshav Cements and Infra Limited**  
**September 17, 2021**

### Ratings:

Facilities	Amount (INR crore)	Current Ratings	Previous Ratings	Rating Action
Long Term Fund based facilities – Term Loan	101.97	IVR BB-/ Stable (IVR Double B Minus with Stable Outlook)	IVR B+ /Stable (IVR Single B Plus with Stable Outlook)	Revised
Long Term Fund based facilities – Cash Credit	26.70	IVR BB-/ Stable (IVR Double B Minus with Stable Outlook)	IVR B+ /Stable (IVR Single B Plus with Stable Outlook)	Revised
Long Term Facilities – Fund Based – Proposed Term Loan	40.00	IVR BB-/ Stable (IVR Double B Minus with Stable Outlook)	-	Assigned
<b>Total</b>	<b>168.67</b>			

### Details of Facilities are in Annexure 1

#### Detailed Rationale

The revision in the ratings is driven by the improvement in the company's financials in FY21. The aforesaid rating revision to the bank facilities of the entity derives comfort from Experienced promoters and management, Higher operating margins supported by revenues from Solar Power and Modest financial risk profile.

However, Revenues from Solar Power is exposed to vagaries of Weather conditions, Input costs related risk and Intense competitive industry and Elongated working capital cycle are the rating constraints.



## Press Release

### 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.

### 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

- **Higher 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 32.63% as on FY21 on account of higher 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.



## Press Release

- **Modest financial risk profile:**

The Company's total income in FY21 increased by 18% on a year-on-year basis amounting to Rs. 80.44 Crore. The debt protection metrics remained modest in FY21 with ISCR at 1.64x. The overall gearing ratio and Long-term debt Equity ratio stood high at 3.61x & 3.13x respectively in FY21. In Q1FY2021 the total income has improved significantly as compared to Q1FY21 results. The company has registered operating income growth by 51.6% on a y-o-y basis.

### 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 143 days in FY2021, albeit with an improvement over FY2020 which was at 167 days. The inventory days stood higher at 150 days in FY2021 (168 days in FY2020) on account of higher raw material holding days.

**Analytical Approach:** Standalone



## Press Release

### Applicable Criteria:

Rating Methodology for Manufacturing Companies  
Financial Ratios & Interpretation (Non-Financial Sector)

### Liquidity – Stretched

The liquidity is stretched as reflected from below unity DSCR and current ratio at 1.02x. The average CC utilization stood at 82.34% for 15 months period ended July 2021 leaving modest liquidity cushion for the company in the working capital limits. However, the company had cash and cash equivalents of Rs. 7.52 Crore as at March 31<sup>st</sup>, 2021.

### 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)

(In Crore)

For the year ended/ As On	31-03-19 (Audited)	31-03-20 (Audited)	31-03-21 (Audited)
Total Operating Income	70.03	68.01	80.44
EBITDA	25.25	26.58	26.25
PAT	-20.25	-7.64	-8.44
Total Debt	140.74	136.94	148.98
Tangible Net-worth	43.31	41.83	41.32
<b>Ratios</b>			
EBITDA Margin (%)	36.05	39.08	32.63
PAT Margin (%)	-28.73	-11.15	-10.45
Overall Gearing Ratio (x)	3.25	3.27	3.61

\* Classification as per Infomerics' standards



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Status of non-cooperation with previous CRA: NA

Any other information:

Rating History for last three years:

Sr. No.	Name of Instrument/ Facilities	Current Ratings (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Long Term Fund based facilities – Term Loan	Long Term	101.97	IVR BB-/Stable (IVR Double B Minus with Stable Outlook)	IVR B+ /Stable (IVR Single B Plus with Stable Outlook)	-	-
2.	Long Term Fund based facilities – Cash Credit	Long Term	26.70	IVR BB-/Stable (IVR Double B Minus with Stable Outlook)	IVR B+ /Stable (IVR Single B Plus with Stable Outlook)	-	-
3.	Long Term Fund based facilities – Term Loan	Long Term	40.00	IVR BB-/Stable (IVR Double B Minus with Stable Outlook)		-	-

**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).

**Name and Contact Details of the Rating Analyst:**

Name: Sejal Patil Tel: (022) 62396023 Email: <a href="mailto:Sejal.patil@infomerics.com">Sejal.patil@infomerics.com</a>	Name: Prakash Kabra Tel: (022) 62396023 Email: <a href="mailto:Prakash.kabra@infomerics.com">Prakash.kabra@infomerics.com</a>
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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 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	-	-	March 2027	3.24	Revised
Long Term Fund based facilities – Term Loan	-	-	September 2030	98.73	Revised
Long Term Fund based facilities – Cash Credit	-	-	-	26.70	Revised
Long Term Fund based facilities – Proposed Term Loan	-	-	-	40.00	Assigned

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

**Annexure 3: Facility wise lender details**



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<https://www.infomerics.com/admin/prfiles/Shri-Keshav-Cements-lenders-17sep21.pdf>

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

**Annexure 5: Complexity level of the rated Instruments/Facilities**

Sr No.	Instrument	Complexity Indicator
1.	Cash Credit	Simple
2.	Term Loan	Simple

**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)