

Kiri and Company Logistics Private Limited

January 16, 2020

Rating

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities	12.69	CARE B+; Stable; ISSUER NOT COOPERATING* (Single B Plus; Outlook: Stable; ISSUER NOT COOPERATING*)	“Issuer not cooperating; Revised from CARE BB-; Stable (Double B Minus; Outlook: Stable) on the basis of best available information”
Short term Bank Facilities	1.90	CARE A4; ISSUER NOT COOPERATING* (A Four; ISSUER NOT COOPERATING*)	“Issuer not cooperating; based on best available information”
Total	14.59 (Rs. Fourteen crore and Fifty-Nine lakh only)		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Kiri and Company Logistics Private Limited (KCLPL) to monitor the rating(s) vide e-mail communications/letters dated October 15, 2019, November 04, 2019, November 20, 2019, November 25, 2019, December 05, 2019 and December 11, 2019 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE’s opinion is not sufficient to arrive at a fair rating. Further, KCLPL has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The rating on KCLPL’s bank facilities will now be denoted as CARE B+;Stable/A4; ISSUER NOT COOPERATING*.

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).

The rating has been revised on account of its continuous decline in scale of operations and profitability in a highly fragmented and competitive industry, moderate solvency position and stressed liquidity position.

The ratings, however, favorably take into account experienced management with established clientele base.

Detailed description of the key rating drivers

At the time of last rating on January 03, 2019, the following were the rating strengths and weaknesses.

Key Rating Weaknesses

Continuous decline in scale of operations and profitability margins

Total Operating Income (TOI) of the company has witnessed continuous decline in last three financial years (FY refers to period of April 01 to March 31) ended FY18 owing to low demand of bunk houses in the market. The company has generated around 77.12% of its total revenue from trading activities, 2.91% of its total revenue from sale of bunk house, 7.30% of its total revenue from catering sale and 12.67% of its total revenue from sale of services.

Due to lower income from bunk house sales and higher trading activity, PBILDT margin of the company has witnessed continuous decline in last three financial years ended FY18 and stood at 7.62% in FY18. With decline in PBILDT margin, PAT margin has also witnessed same trend in last three financial years ended FY18 and stood at 0.29% in FY18.

The company has registered Total Operating Income of Rs.42.00 crore till November 30, 2018.

Moderate solvency position

The capital structure of the company stood moderate with an overall gearing of 1.37 times as on March 31, 2018, deteriorated from 0.94 times as on March 31, 2018 owing to increase in term loan and working capital bank borrowings. During FY18, the company undertook a project for construction of bunk houses and supply of same on rental in Barmer. Further, debt coverage indicators of the company stood moderate marked by total debt to GCA of 9.69 times as on March 31, 2018, deteriorated from 5.51 times as on March 31, 2017 on account of higher increase in total debt level and decline in GCA

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications

*Issuer did not cooperate; Based on best available information

level. Interest coverage ratio also stood moderate at 2.43 times as on March 31, 2018, improved from 2.22 times in FY17 on account of lower interest expenses.

Stressed liquidity position

The operations of the company are working capital intensive with elongated operating cycle of 78 days in FY18 (72 days in FY17) owing to higher receivables period of 122 days. Debtors remained high on account of manufacturing and service where the payments are realized within 120 days. Current ratio and quick ratio stood below unity at 0.99 times and 0.81 respectively. The company has utilized full of its working capital bank borrowings during the past 12 months ended November 30, 2018. It has cash & bank balance of Rs.1.09 crore as on March 31, 2018.

Presence in a highly fragmented and competitive industry

The business of the company is construction of bunk houses and providing the same to oil and gas field sector. In the industry, there are many organized and unorganized players are present in the industry and hence, exposed to competition from these players.

Key Rating Strengths

Experienced management with established clientele base

Mr Lalit Kumar Kiri, managing director of the company, has extensive experience of more than 15 years in the industry and is further supported by experienced second tier management. Owing to long track record of operations, extensive experience of promoters along with the knowledge of market dynamics, the company has been able to create established relation with reputed clientele such as Vedanta Limited, Schlumberger, ONGC, Halliburton, Larsen and Toubro Limited etc.

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings](#)

[CARE's Policy on Default Recognition](#)

[Criteria for Short Term Instruments](#)

[Rating Methodology-Service Sector](#)

[Financial ratios – Non-Financial Sector](#)

About the Company

Kiri and Company Logistics Private Limited (KCLPL) was initially formed by Mr. Lalit Kumar Kiri in 2002 as a proprietorship company. Further, in 2011, Mr Lalit Kumar Kiri, Mr Pawan Kumar Kahtri and Mr Ram Chand Khatri reconstituted the firm as a company. The company provides various services to Oil and gas exploration as well as refining sector and their services includes construction and supply of Portable Bunkhouse, Construction Equipment Rental Services, Transportation Vehicle Rental Services, Civil Construction Services, Catering Services, Bunk Labour Accommodation and Manpower Services. The company is also engaged in trading of Fast Moving Consumer Goods and agriculture commodities. Further the company is certified company by ISO 9001, ISO 14001 and OHSAS 18001.

The major clients of KCLPL include Vedanta Limited, Schlumberger, ONGC, Halliburton, Larsen and Toubro Limited.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)
Total operating income	68.19	64.68
PBILDT	5.82	4.93
PAT	0.32	0.19
Overall gearing (times)	0.94	1.37
Interest coverage (times)	2.22	2.43

A: Audited

Status of non-cooperation with previous CRA: CRISIL has conducted the review on the basis of best available information and has classified Kiri and Company Logistics Private Limited as "Not cooperating" vide its press release dated December 27, 2019.

Any other information: None

Rating History for last three years: Please refer Annexure-2

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue	Rating assigned along with Rating Outlook
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				(Rs. crore)	
Fund-based - LT-Term Loan	-	-	March 2023	2.69	CARE B+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB-; Stable on the basis of best available information
Fund-based - LT-Bank Overdraft	-	-	-	10.00	CARE B+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB-; Stable on the basis of best available information
Non-fund-based - ST-Bank Guarantees	-	-	-	1.90	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information

*Issuer not cooperating; based on best available information

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Term Loan	LT	2.69	CARE B+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB-; Stable on the basis of best available information	-	1)CARE BB-; Stable (03-Jan-19)	-	-
2.	Fund-based - LT-Bank Overdraft	LT	10.00	CARE B+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB-; Stable on the basis of best available information	-	1)CARE BB-; Stable (03-Jan-19)	-	-
3.	Non-fund-based - ST-Bank Guarantees	ST	1.90	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE A4 (03-Jan-19)	-	-

*Issuer not cooperating; based on best available information

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

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