Shri Keshav Cements and Infra Limited

February 20, 2018

Rating

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long-term Bank Facilities	45.73 (enhanced from 11.75)	**CARE BB-,Stable;ISSUER NOT COOPERATING* (Double B Minus; Outlook : Stable; ISSUER NOT COOPERATING*)**	**Issuer not cooperating; Revised from CARE BB; Positive (Double B; Outlook : Positive) on the basis of best available information**
Total	**45.73 (Rupees fourty five crore and seventy three lakh only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Shri Keshav Cements and Infra Limited (SKCIL) to monitor the rating vide e-mail communications dated January 06, 2018, February 10, 2018, February 12, 2018, February 13, 2018 and February 14, 2018. However, despite our repeated requests, the firm has not provided the requisite information for monitoring the rating. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the publicly available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The rating on Shri Keshav Cement and Infra Limited's bank facilities will now be denoted as **CARE BB-; Stable; 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.

The revision in the rating assigned to the bank facilities of SKCIL takes into account decline in total operating income and deterioration of capital structure in FY17 (refers to period April 01 to March 31). Furthermore, the rating is tempered by decline in total operating income with net loss incurred in 9MFY18 (refers to period from April to December) vis-à-vis financial performance in 9MFY17.

The rating, however, derives strength from extensive experience of promoters, strategic location advantage with proximity to raw material and improvement in working capital cycle in FY17.

Detailed description of the key rating drivers

Key Rating Weaknesses

Decline in scale of operations and profit margins

Despite long track record of operations, the total operating income of the company remained moderate. The total income of the company declined and stood at Rs 50.35 crore in FY17 as compared to Rs.55.43 crore in FY16. Further,the total operating income of the company declined by 50.15% to Rs.6.61 crore in 9MFY18 (un-audited) as compared to Rs.13.26 crore in 9MFY17 (un-audited). The profit margins marked by PBILDT and PAT improved and stood at 31.58% and 14.13% respectively during FY17 as compared to 22.66% and 6.32% respectively in FY16. However, during the 9MFY18 (un-audited), the profit margins declined and the company incurred net losses of Rs 2.61 crore as compared to net profit of Rs.2.83 crore in 9MFY17 (un-audited).

[2]*Complete 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*

The decline in total operating income and net losses incurred by the company during 9MFY18 (un-audited) was mainly due to partial shutdown of the Lokapur plant.

The gross cash accruals were also moderately low at Rs. 13.81 crore in FY17 and incurred cash loss of Rs.1.14 crore during 9MFY18.

Financial risk profile marked leveraged capital structure and solvency ratios

With increased debt levels and cash losses, the overall gearing and TD/GCA of the company have deteriorated during 9MFY18 (un-audited). As on March 31, 2017, the overall gearing ratio of the company stood at 2.44x as compared to 1.37x as on March 31, 2016. The other solvency ratios marked by TD/GCA, Interest coverage, Term Debt to PBILDT, Total Debt to PBILDT and Total Debt to cash flow from operations deteriorated in FY17 and stood at 4.66x, 5.07x, 2.50x, 4.05x and 5.45x respectively as compared to 4.15x, 3.76x, 0.33x, 2.17x and 1.54x as on March 31, 2016 on back of increased term loan and unsecured loans from friends and relatives. The interest coverage ratio deteriorated to 0.07x in 9MFY18 (un-audited) compared to 5.34x in 9MFY17 (un-audited) significant decline in operating profit.

Key Rating Strengths

Extensive Experience of Promoters

SKCIL was promoted by Mr. H. D. Katwa who has more than four decades of experience in the cement industry. Other directors - Mr. Venkatesh Katwa, Mr Vilas Katwa and Mr Deepak Katwa (Sons of Mr H.D.Katwa) - are all MBA graduates having significant experience in the fields of cement, IT, Finance etc.

Strategic locational advantage with proximity to raw materials

SKCIL's facilities are located in Bagalkot District of northern Karnataka which has abundant availability of limestone reserves while coal is procured from the nearby states of Madhya Pradesh & Maharashtra providing easy access to raw materials.

Improvement in working capital cycle

The working capital cycle improved from 72 days in FY16 to 57 days in FY17 due to increased creditor period from 11 days as on March 31, 2016 to 53 days as on March 31, 2017.

Analytical Approach: Standalone

Applicable Criteria

Policy in respect of Non-cooperation by issuer
Criteria on assigning Outlook to Credit Ratings
CARE's Policy on Default Recognition
Financial ratios (Non-Financial Sector)
CARE's rating methodology- Cement Industry

About the Company

Incorporated in 1993, Shri Keshav Cements and Infra Ltd (SKCIL) (erstwhile Katwa Udhyog Limted) is a Public Limited Company (listed in BSE), is a venture of the Katwa group for manufacturing of Ordinary Portland Cement (OPC). SKCIL was promoted by Mr H. D. Katwa who has vast experience of almost three decades in this industry. The daily operations of the company are managed by Mr. Vilas H Katwa. SKCIL has two plants located in Karnataka at Kaladgi and Lokapur.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	55.42	50.35
PBILDT	12.56	15.90
PAT	3.50	7.11
Overall gearing (times)	1.37	2.44
Interest coverage (times)	3.76	5.07

A : Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not applicable

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

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:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	12.00	CARE BB-; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan	-	-	June,2025	33.73	CARE BB-; Stable; ISSUER NOT COOPERATING*

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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Term Loan	LT	-	-	1)Withdrawn (05-May-17)	-	1)CARE BB- (15-Jan-16)	-
2.	Fund-based - LT-Cash Credit	LT	12.00	CARE BB-; Stable; ISSUER NOT COOPERATING*	1)CARE BB; Positive (05-May-17)	-	1)CARE BB- (15-Jan-16)	-
3.	Fund-based - LT-Term Loan	LT	33.73	CARE BB-; Stable; ISSUER NOT COOPERATING*	1)CARE BB; Positive (05-May-17)	-	-	-

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