



Press Release

Shri Keshav Cements and Infra Limited (SKCIL)

October 01st, 2024

Ratings

Facilities	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long term Bank Facilities	223.59 (Reduced from Rs.238.56 crore)	IVR BBB-/ Stable [IVR Triple B Minus with Stable Outlook]	IVR BB+/ Positive [IVR Double B Plus with Positive Outlook]	Upgraded	Simple
Total	Rs.223.59 crore (Rupees Two hundred and twenty-three crore and fifty-nine 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 upgraded the rating assigned to the bank facilities of SKCIL reflects near completion of capex of enhanced capacities which is expected to increase its scale of operations, thereby further improvement in credit profile. The upgrade also reflects ability to maintain strong profitability over FY24 and 1QFY25 Further the rating continues to derive comfort from experienced and qualified promoters. The rating strengths are, however, constrained by elongated working capital cycle and input costs related risk, intense competitive industry and relatively small capacity.

The outlook is 'Stable' reflects Infomerics expectations of SKCIL will be able to maintain stable credit profile with enhanced capacities and absence of any debt led capex over FY25-FY27.

Key Rating Sensitivities:

Upward Factors

- Sustained improvement in revenue and profitability while maintaining current debt protection metrics on a sustained basis.
- Improvement in working capital cycle while maintaining the current credit profile.



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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

Near Completion of capacity expansion and back word integration:

SKCIL is in the process expanding its cement capacity 1,00,000 MTPA from current capacity of 35,000 MTPA. The capex is expected to commission from October 2024. Infomerics expects these new capacities are expected to improve its financial profile as SKCIL will be able to use 80% of solar capacity for its own use from current usage of around 40%. The capacity expansion is also expected to increase market share of the company in the region.

Stable Operating Profile

SKCIL's revenue growth remained stable with revenue of Rs.126.45 crore at the end of FY24 (period refers from April 1st, 2023, to March 31st, 2024) (FY23: Rs.123.24 crore). Revenue growth remained stable with stable cement prices despite higher quantity sold. SKCIL has reported revenue of Rs.30.44 crore during 1QFY25, Infomerics expects SKCIL is likely to benefit from additional capacities which are expected to be on stream from 3QFY25 onwards with expected improvement in cement prices results in higher revenue during 2HFY25. However, SKCIL's EBITDA margins remained strong and improved to 30.77% in FY24 (FY23:28.42%) due to higher profitability from solar segment, profitability has impacted during 1QFY25 due to lower than expected revenue from solar segment, Infomerics expects profitability to improve from 2HFY25 onwards with benefits of backward integration and higher cement capacities,

Moderate capital structure

SKCIL has unsecured loans from promoters Rs.1.69 crore in FY24 which is subordinated to the bank loans, and Infomerics has treated as a quasi-equity. Adjusted tangible net worth (ATNW) stood at Rs.104.17 crore as on March 31st, 2024, as against Rs.64.80 crore as on



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March 31st, 2023. This increase was due to SKCIL raised equity through preferential allotment of Rs. 43.65 crore during FY24 (includes Rs. 24.00 crore of unsecured loans converted into equity during FY23). Also, the SKCIL has raised funds through issuance of share warrants of Rs. 26.32 crore in FY24. The capital structure of SKCIL marked by overall gearing ratio & TOL/ATNW has improved significantly to 1.83x and 2.42x respectively as on March 31st, 2024 (vis-à-vis 3.71x and 3.25x respectively as on March 31, 2023) with improved net worth. Infomerics expects gearing to improve further from FY25 onwards with expected improvement in profitability with benefits of enhanced capacities.

Moderate debt protection metrics

SKCIL's debt protection metrics remains moderate with interest coverage stood at 2.30x at the end of FY24 (FY23: 1.86x) with stable profitability. Total debt / NCA stood high at 8.55 years in FY24 (FY23: 9.27 years), due to term loan borrowing for capex. 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 and geographical diversification:

SKCIL's one of the promoter Mr. Venkatesh Katwa has more than three decades of experience in the cement industry. SKCIL has presence in state of Karnataka, Goa and Maharashtra.

B. Key Rating Weaknesses

Elongated operating cycle albeit short receivable cycle

The net operating cycle of SKCIL though improved but remained elongated and at 116 days at the end of FY24 (FY23: 120), this is due to high inventory days of 123 in FY24 (FY23: 117) as SKCIL stocks inventory of limestone at end of any financial year.

Input costs related risk and Intense competitive industry

The profitability is susceptible to volatility in input costs, such as raw 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.



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Analytical Approach: Standalone

Applicable Criteria:

[Criteria of assigning Rating Outlook](#)

[Rating Methodology for Manufacturing companies](#)

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

[Criteria on Default Recognition](#)

[Complexity Level of Rated Instruments/Facilities](#)

Liquidity: Adequate

The liquidity profile of SKCIL is adequate with expected to generate gross cash accruals in the range of Rs. 22 crore to Rs. 79 crore as against the repayment obligation of Rs.25 crore to Rs.26 crore over FY25 and FY27. The current ratio and quick ratio stood at 1.30x and 0.65x respectively as on March 31st, 2024 (31st March 2024: 1.23x and 0.58x respectively); The average fund-based bank limit utilization in the last 12 months ended August 2024, stood at 57%, the liquidity position of the company stood adequate. DSCR of the SKCIL stood at 1.01x in FY24 . Cash flow from operation are also positive at Rs.32.04 crore as per FY24.

About the company

Incorporated in the year 1993 SKCIL, {formerly known as Katwa Udyog Limited} is the public limited company is engaged in the manufacturing of cement and solar power generation in India. The cement plants are located at Bagalkot district, Karnataka and the solar power plant is located at Koppal, Karnataka. The company supplies cement in North Karnataka, Coastal Karnataka, Goa and some parts of Maharashtra. The company owns three very renowned regional brands of cement "Jyoti Power" "Jyoti Gold" & "Keshav Cement". Keshav Cement" is a premium brand of the company.



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Financials (Standalone):

(Rs. crore)

For the year ended / As On*	31-03-2023 (Audited)	31-03-2024 (Audited)
Total Operating Income	123.24	126.45
EBITDA	35.03	38.91
PAT	2.91	9.13
Total Debt	163.99	191.14
Tangible Net Worth	48.62	102.47
EBITDA Margin (%)	28.42	30.77
PAT Margin (%)	2.32	7.07
Overall Gearing Ratio (x)	2.53	1.83
Interest Coverage (x)	1.86	2.30

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: None.

Any other information: Nil

Rating History for last three years:

Name of Instrument /Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
	Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
Long term Bank Facilities	Long Term	223.59	IVR BBB-/ Stable	(January 12, 2024) IVR BB+/ Positive (September 06, 2023) IVR BB+/ Positive	(June 14, 2022) IVR BB+/ Stable	(September 17, 2021) IVR BB-/ Stable

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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.

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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 Bank Facilities – Term Loan	--	--	Mar-2031	51.04	IVR BBB-/ Stable
Long Term Bank Facilities – Term Loan	--	--	Jan-2026	6.49	IVR BBB-/ Stable
Long Term Bank Facilities – Term Loan	--	--	Apr-2025	0.89	IVR BBB-/ Stable
Long Term Bank Facilities – Term Loan	--	--	Jan-2037	34.73	IVR BBB-/ Stable
Long Term Bank Facilities – Term Loan	--	--	Dec-2032	80.00	IVR BBB-/ Stable
Long Term Bank Facilities – GECL 2.0	--	--	Jan-2037	7.91	IVR BBB-/ Stable
Long Term Bank Facilities – GECL 2.0 (Extension)	--	--	Dec-2027	15.83	IVR BBB-/ Stable
Long Term Bank Facilities – Cash Credit	--	--	Revolving	26.70	IVR BBB-/ Stable

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-ShriKeshav-oct24.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.