

Rating Rationale

Krishna Distribution Pvt. Ltd.

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 13.80 Crores of Krishna Distribution Pvt. Ltd..

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based CC	9.30	Long Term	BWR B+ (Pronounced as BWR B plus) Outlook: Stable
Non Fund Based Bank Guarantee	4.50	Short Term	BWR A4 Pronounced as A four
Total	13.80	INR	Thirteen Crores and Eighty Lakhs Only

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rating Assigned:

BWR has assigned Long Term Rating of BWR B+ (Outlook: Stable) & A4 respectively for the bank loan facilities for Krish Distribution Pvt Ltd. (The company)

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financial statements of the company upto FY18 and, publicly available information and information/clarifications provided by the management.

The rating draws strength from the experienced management along with long track record of operations in the automobile industry. The rating however is constrained by modest scale of operations, low tangible net worth, high gearing ratio, weak debt protection metrics and major earnings are from non-operating income.

Description of Key Rating Drivers

Credit Strengths:

- **Experience of the management:** The firm reaps the benefit from the rich experience of two and a half to three and a half decades of the partners, Mr. Gurcharan Singh, Mr. Harkirat Singh and Mr. Gurkirat Singh in the automobile industry.
- Association with top brands in the Auto Industry like Maruti Suzuki India Limited, Mahindra & Mahindra, Shell and Royal Enfield.

Credit Risks:

- **Low tangible net worth and high gearing:** The gearing and overall gearing of the firm is high as marked by Total Debt/TNW and TOL/TNW of 4.71x and 6.82x respectively in FY 2018 due to an increase in overall borrowings as compared to marginal increase in TNW.
- **Weak debt protection metrics:** The firm has reported weak debt protection metrics as the DSCR and ISCR stood at 1.19x and 0.35x respectively in FY 2018 as against previous year.
- Major part of their earnings are coming from Non-operating income, which includes income from Incentives received.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Liquidity Profile:

The company has Cash & Bank balances of Rs. 1.08 Crs in FY 18, The company has provided the Cash Flow Statement, Long term borrowings of INR 4.77 crores includes Term Loan amounting to Rs 2.77 Cr from Bank + unsecured loan of Rs 2.00 Cr from Directors & Related parties. CPLTD for FY 19 will be INR 0.40 crores and Net cash Accruals is at 0.79 Crs in FY 18, The Cash Credit utilization of the last 6



months was around ~102%, The current ratio stood at 1.34 times in FY 18, ISCR and DSCR is at 0.35X and 1.19X in FY 18, NP/OPM was maintained at 0.82% and 0.78% respectively, in FY 18, Conversion Cycle is at 74 days in FY 18, largely because of efficient inventory management.

Holding/Subsidiary Company: NA

Rating Outlook: *Stable/Positive/Negative*

BWR believes the **Krishna Distribution Pvt. Ltd.** business risk profile will be maintained over the medium term. The ‘Stable’ outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

Krishna Distribution Pvt. Ltd. was established in the year 2016 by Mr. Ashish Gupta as a Private Limited concern. The Firm has its registered office in Jammu. It is the authorized sole distributor of auto spare parts, lubricants used in vehicles and dulex paints for Mahindra & Mahindra (four wheelers), Maruti Suzuki (Four wheelers), Bajaj (Three Wheelers) and Royal Enfield (two wheelers). It has 6 exclusive retail outlets in Jammu, one of them is of Maruti Suzuki and has a warehouse in Jammu of Size 22,000 Sq. Feet

Company Financial Performance

The company projected a total operating income of Rs. 56.86 Crs. in FY 18 with PAT of Rs. 0.46 Crs. as compared to total operating income of Rs. 25.86 Crs. in FY 17 with PAT of Rs. 0.35 Crs.

Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type			
Operating Revenue	₹ Cr	56.86	25.86
EBITDA	₹ Cr	0.44	-0.84
PAT	₹ Cr	0.46	0.35
Tangible Net worth	₹ Cr	2.80	2.35
Total Debt/Tangible Net worth	Times	4.71	4.65
Current Ratio	Times	1.34	1.33

Rating History for the last three years

Instrument /Facility	Current Rating			Rating History		
	Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	Date, Month, Year	Date, Month, Year	Date, Month, Year
Fund Based CC	Long Term	9.30	BWR B+ Pronounced as BWR B plus Outlook: Stable	N/A		
Non Fund Based Bank Guarantee	Short Term	4.50	BWR A4 Pronounced as A four			
Total		13.80	₹ Thirteen Crores and Eighty Lakhs Only			

Status of non-cooperation with previous CRA (if applicable)-Reason and comments

Any other information

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Short Term Debt](#)
- <https://www.brickworkratings.com/download/Criteria-TradingEntities.pdf>



For any other criteria obtain hyperlinks from website

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

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