



Date:- 29.03.2024

National Stock Exchange of India Limited
Exchange Plaza, 5th Floor
Plot No. C/1, G Block
Bandra Kurla Complex
Mumbai-400051

Symbol: - KRISHNADEF
ISIN: - INE0J5601015

Sub: Krishna Defence and Allied Industries Limited: Credit Rating

Dear Sir,

Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we wish to inform that CRISIL has assigned the following credit rating on the long term bank facilities of Krishna Defence and Allied Industries Limited.

Total Bank Loan Facilities Rated	Rs.25 Crore
Long Term Rating	CRISIL BBB-/Stable (Assigned)
Short Term Rating	CRISIL A3 (Assigned)

A copy of the Rating Rationale assigned by CRISIL covering inter alia Press Release for Credit Rating is enclosed.

We request you to take the above information on record.

Thanks & Regards,

For and on behalf of Krishna Defence and Allied Industries Limited

ANKUR

ASHWIN SHAH

Digitally signed by ANKUR
ASHWIN SHAH
Date: 2024.03.29 19:07:12
+05'30'

Ankur Ashwin Shah
Managing Director
DIN:- 01166537



Rating Rationale

March 28, 2024 | Mumbai

Krishna Defence and Allied Industries Limited

'CRISIL BBB-/Stable/CRISIL A3' assigned to Bank Debt

Rating Action

Total Bank Loan Facilities Rated	Rs.25 Crore
Long Term Rating	CRISIL BBB-/Stable (Assigned)
Short Term Rating	CRISIL A3 (Assigned)

Note: None of the Directors on CRISIL Ratings Limited's Board are members of rating committee and thus do not participate in discussion or assignment of any ratings. The Board of Directors also does not discuss any ratings at its meetings.

1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Ratings has assigned its 'CRISIL BBB-/Stable/CRISIL A3' ratings to the bank facilities of Krishna Defence and Allied Industries Limited (KDAIL).

The rating reflects KDAIL's extensive industry experience of the promoters, niche and diversified product basket, and healthy financial risk profile. These strengths are partially offset by moderate scale of operations and working capital intensive operations.

Analytical Approach

Unsecured loans from promoters, outstanding to the extent of Rs 7.95 crores as on March 31,2024 has been treated as debt.

Key Rating Drivers & Detailed Description

Strengths:

- **Extensive industry experience of the promoters:** The promoters have experience of over three decades in the industry. This has given them an understanding of the dynamics of the market and enabled them to establish relationships with suppliers and key customers in the defence and the dairy segment. Backed by new product launches and track record of timely and efficient execution of orderbook in hand has resulted in repeat orders as reflected in the company's revenues which have increased from Rs 63 crores in fiscal 2023 to an estimated Rs 100 crores in fiscal 2024. Furthermore, the company has order book of Rs 168 crore as on December 2023, which is to be executed over next 12-24 months across the dairy and the defence segment. Its healthy order book provides healthy revenue visibility over the medium term. The promoters experience should continue to support the business risk profile over the medium term.
- **Diversified and niche product basket:** Armed with the technical expertise of the promoters, the company has been able to diversify its product offerings from dairy equipment to defence equipment finding critical applications in the defence industry. Additionally, the company has its own product development team, which is focused on undertaking dedicated product development efforts for indigenously developed products. Niche and specialized product basket, with around 80-85% of the revenues from the defence segment, with fewer players offering similar products supports the company's business risk profile.
- **Healthy financial risk profile:** KDAIPL has healthy network estimated at around Rs 95-100 crores as on March 31, 2024 (an increase from Rs 40.8 crores a year ago) due to steady accretion to reserves and backed by equity infusions. Capital structure is healthy as reflected in total outside liabilities to adjusted network and gearing ratios estimated at around 0.40-0.50 times and 0.10-0.15 times as on March 31,2024 (1.07 and 0.45 times as on March 31,2023). Debt protection measures are comfortable as reflected in interest coverage and net cash accruals to adjusted debt of above 13 times and 0.7 times for fiscal 2024 (7.67 times and 0.39 times for fiscal 2023). The financial risk profile is expected to continue to remain healthy over the medium term backed by stable profitability and in the absence of any major debt funded capex plans.

Weaknesses:

- **Moderate scale of operations:** Though the company's revenues are expected to significantly increase from Rs 63 crores in fiscal 2023, to close to Rs 100 crores in fiscal 2024, the scale of operations continue to remain moderate. Moderate scale of operations limits operating efficiencies. Significant ramp up in scale of operations through healthy execution of orderbook in hand remains a key monitorable for the medium term.
- **Working capital intensive operations:** Gross current assets were at 300-350 days over the three fiscals ended March 31, 2024 and further estimated at around 400-415 days as on March 31, 2024, an increase due to higher cash and cash

equivalents held. Its large working capital requirements arise from its high debtor and inventory levels. It is required to extend long credit period of around 30-45 days to defense customers post billing which takes around 30-45 days and around 90-120 days for dairy customers. Furthermore, the work in progress inventory is large due to higher processing time of inventory of around 3- 4 months. Working capital cycle is expected to continue to remain large over the medium term.

Liquidity: Adequate

Bank limit utilization is moderate at around 83 percent for the past twelve months ended January 2024. Cash accruals are expected to be over Rs 10-13 crore which are sufficient against term debt obligation of Rs 0.33 – 0.68 crore over the medium term. In addition, it will act as cushion to the liquidity of the company. Current ratio is healthy at 1.78 times on March 31, 2023. Moderate unencumbered cash and bank balance of around Rs. 5 crore as on March 31, 2023. Liquidity is also aided by new equity infusion, of which the company has unencumbered cash and cash equivalents of around Rs 35 – 40 crores. Low gearing and moderate net worth support its financial flexibility and provides the financial cushion available in case of any adverse conditions or downturn in the business. Additionally, the promoters are likely to extend support in the form of equity and unsecured loans to meet its working capital requirements and repayment obligations.

Outlook: Stable

CRISIL Ratings believes KDAIL will continue to benefit from the extensive experience of its promoter, and established relationships with clients.

Rating Sensitivity factors

Upward factors

- Sustained improvement in scale of operations or operating margins resulting in high net cash accruals of around Rs 13 crores.
- Improvement in the working capital cycle and sustenance of financial risk profile aiding liquidity.

Downward factors

- Decline in scale of operations and operating margins resulting in lower-than-expected net cash accruals.
- Further stretch in working capital cycle with gross current assets (net of cash) higher than 375 days

About the Company

KDAIL, formerly known as Krishna Allied Industries Limited, was incorporated in 1997 as a partnership firm and reconstituted as a company in 2013. KDAIL is engaged in designing, developing, and manufacturing of a wide range of equipment for defence, security, and dairy segments. KDAIL's manufacturing facilities are located at Kalol and Halol in Gujarat. The company is listed on the SME platform of National Stock Exchange i.e. NSE Emerge.

Key Financial Indicators

As on / for the period ended March 31		6MFY2024	2023	2022
Operating income	Rs crore	35.22	63.65	49.92
Reported profit after tax	Rs crore	2.63	5.30	2.46
PAT margins	%	7.5	8.32	4.93
Adjusted Debt/Adjusted Net worth	Times	0.27	0.45	0.96
Interest coverage	Times	7.95	7.67	3.45

Any other information: Not applicable

Note on complexity levels of the rated instrument:

CRISIL Ratings' complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

For more details on the CRISIL Ratings' complexity levels please visit www.crisilratings.com. Users may also call the Customer Service Helpdesk with queries on specific instruments.

Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs crore)	Complexity levels	Rating assigned with outlook
NA	Bank Guarantee	NA	NA	NA	10	NA	CRISIL A3
NA	Cash Credit	NA	NA	NA	8	NA	CRISIL BBB-/Stable
NA	Cash Credit	NA	NA	NA	4	NA	CRISIL BBB-/Stable
NA	Letter of Credit	NA	NA	NA	3	NA	CRISIL A3

Annexure - Rating History for last 3 Years

		Current		2024 (History)		2023		2022		2021		Start of 2021
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	12.0	CRISIL BBB-/Stable		--		--		--		--	--

Non-Fund Based Facilities	ST	13.0	CRISIL A3		--		--		--		--		--
----------------------------------	----	------	-----------	--	----	--	----	--	----	--	----	--	----

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Bank Guarantee	10	Axis Bank Limited	CRISIL A3
Cash Credit	8	Axis Bank Limited	CRISIL BBB-/Stable
Cash Credit	4	Punjab National Bank	CRISIL BBB-/Stable
Letter of Credit	3	Axis Bank Limited	CRISIL A3

Criteria Details

Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

[Rating criteria for manufacturing and service sector companies](#)

[CRISILs Criteria for rating short term debt](#)

Media Relations	Analytical Contacts	Customer Service Helpdesk
<p>Aveek Datta Media Relations CRISIL Limited M: +91 99204 93912 B: +91 22 3342 3000 AVEEK.DATTA@crisil.com</p> <p>Prakruti Jani Media Relations CRISIL Limited M: +91 98678 68976 B: +91 22 3342 3000 PRAKRUTI.JANI@crisil.com</p> <p>Rutuja Gaikwad Media Relations CRISIL Limited B: +91 22 3342 3000 Rutuja.Gaikwad@ext-crisil.com</p>	<p>Himank Sharma Director CRISIL Ratings Limited D:+91 124 672 2152 himank.sharma@crisil.com</p> <p>Shalaka Singh Associate Director CRISIL Ratings Limited B:+91 22 3342 3000 Shalaka.Singh@crisil.com</p> <p>AISHWARYA SANJAY DEOSTHALI Rating Analyst CRISIL Ratings Limited B:+91 22 3342 3000 AISHWARYA.DEOSTHALI@crisil.com</p>	<p>Timings: 10.00 am to 7.00 pm Toll free Number:1800 267 1301</p> <p>For a copy of Rationales / Rating Reports: CRISILratingdesk@crisil.com</p> <p>For Analytical queries: ratingsinvestordesk@crisil.com</p>

Note for Media:

This rating rationale is transmitted to you for the sole purpose of dissemination through your newspaper/magazine/agency. The rating rationale may be used by you in full or in part without changing the meaning or context thereof but with due credit to CRISIL Ratings. However, CRISIL Ratings alone has the sole right of distribution (whether directly or indirectly) of its rationales for consideration or otherwise through any media including websites and portals.

About CRISIL Ratings Limited (A subsidiary of CRISIL Limited, an S&P Global Company)

CRISIL Ratings pioneered the concept of credit rating in India in 1987. With a tradition of independence, analytical rigour and innovation, we set the standards in the credit rating business. We rate the entire range of debt instruments, such as bank loans, certificates of deposit, commercial paper, non-convertible/convertible/partially convertible bonds and debentures, perpetual bonds, bank hybrid capital instruments, asset-backed and mortgage-backed securities, partial guarantees and other structured debt instruments. We have rated over 33,000 large and mid-scale corporates and financial institutions. We have also instituted several innovations in India in the rating business, including ratings for municipal bonds, partially guaranteed instruments and infrastructure investment trusts (InvITs).

CRISIL Ratings Limited ('CRISIL Ratings') is a wholly-owned subsidiary of CRISIL Limited ('CRISIL'). CRISIL Ratings Limited is registered in India as a credit rating agency with the Securities and Exchange Board of India ("SEBI").

For more information, visit www.crisilratings.com

About CRISIL Limited

CRISIL is a leading, agile and innovative global analytics company driven by its mission of making markets function better.

It is India's foremost provider of ratings, data, research, analytics and solutions with a strong track record of growth, culture of innovation, and global footprint.

It has delivered independent opinions, actionable insights, and efficient solutions to over 100,000 customers through businesses that operate from India, the US, the UK, Argentina, Poland, China, Hong Kong and Singapore.

It is majority owned by S&P Global Inc, a leading provider of transparent and independent ratings, benchmarks, analytics and data to the capital and commodity markets worldwide.

For more information, visit www.crisil.com

Connect with us: [TWITTER](#) | [LINKEDIN](#) | [YOUTUBE](#) | [FACEBOOK](#)

CRISIL PRIVACY NOTICE

CRISIL respects your privacy. We may use your contact information, such as your name, address and email id to fulfil your request and service your account and to provide you with additional information from CRISIL. For further information on CRISIL's privacy policy please visit www.crisil.com.

DISCLAIMER

This disclaimer is part of and applies to each credit rating report and/or credit rating rationale ('report') that is provided by CRISIL Ratings Limited ('CRISIL Ratings'). To avoid doubt, the term 'report' includes the information, ratings and other content forming part of the report. The report is intended for the jurisdiction of India only. This report does not constitute an offer of services. Without limiting the generality of the foregoing, nothing in the report is to be construed as CRISIL Ratings providing or intending to provide any services in jurisdictions where CRISIL Ratings does not have the necessary licenses and/or registration to carry out its business activities referred to above. Access or use of this report does not create a client relationship between CRISIL Ratings and the user.

We are not aware that any user intends to rely on the report or of the manner in which a user intends to use the report. In preparing our report we have not taken into consideration the objectives or particular needs of any particular user. It is made abundantly clear that the report is not intended to and does not constitute an investment advice. The report is not an offer to sell or an offer to purchase or subscribe for any investment in any securities, instruments, facilities or solicitation of any kind to enter into any deal or transaction with the entity to which the report pertains. The report should not be the sole or primary basis for any investment decision within the meaning of any law or regulation (including the laws and regulations applicable in the US).

Ratings from CRISIL Ratings are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold or sell any securities/instruments or to make any investment decisions. Any opinions expressed here are in good faith, are subject to change without notice, and are only current as of the stated date of their issue. CRISIL Ratings assumes no obligation to update its opinions following publication in any form or format although CRISIL Ratings may disseminate its opinions and analysis. The rating contained in the report is not a substitute for the skill, judgment

and experience of the user, its management, employees, advisors and/or clients when making investment or other business decisions. The recipients of the report should rely on their own judgment and take their own professional advice before acting on the report in any way. CRISIL Ratings or its associates may have other commercial transactions with the entity to which the report pertains.

Neither CRISIL Ratings nor its affiliates, third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively, 'CRISIL Ratings Parties') guarantee the accuracy, completeness or adequacy of the report, and no CRISIL Ratings Party shall have any liability for any errors, omissions or interruptions therein, regardless of the cause, or for the results obtained from the use of any part of the report. EACH CRISIL RATINGS PARTY DISCLAIMS ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING BUT NOT LIMITED TO ANY WARRANTIES OF MERCHANTABILITY, SUITABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. In no event shall any CRISIL Ratings Party be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of any part of the report even if advised of the possibility of such damages.

CRISIL Ratings may receive compensation for its ratings and certain credit-related analyses, normally from issuers or underwriters of the instruments, facilities, securities or from obligors. Public ratings and analysis by CRISIL Ratings, as are required to be disclosed under the regulations of the Securities and Exchange Board of India (and other applicable regulations, if any), are made available on its website, www.crisilratings.com (free of charge). Reports with more detail and additional information may be available for subscription at a fee - more details about ratings by CRISIL Ratings are available here: www.crisilratings.com.

CRISIL Ratings and its affiliates do not act as a fiduciary. While CRISIL Ratings has obtained information from sources it believes to be reliable, CRISIL Ratings does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives and/or relies on in its reports. CRISIL Ratings has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process. CRISIL Ratings has in place a ratings code of conduct and policies for managing conflict of interest. For details please refer to:

<https://www.crisil.com/en/home/our-businesses/ratings/regulatory-disclosures/highlighted-policies.html>.

Rating criteria by CRISIL Ratings are generally available without charge to the public on the CRISIL Ratings public website, www.crisilratings.com. For latest rating information on any instrument of any company rated by CRISIL Ratings, you may contact the CRISIL Ratings desk at crisilratingdesk@crisil.com, or at (0091) 1800 267 1301.

This report should not be reproduced or redistributed to any other person or in any form without prior written consent from CRISIL Ratings.

All rights reserved @ CRISIL Ratings Limited. CRISIL Ratings is a wholly owned subsidiary of CRISIL Limited.

CRISIL Ratings uses the prefix 'PP-MLD' for the ratings of principal-protected market-linked debentures (PPMLD) with effect from November 1, 2011, to comply with the SEBI circular, "Guidelines for Issue and Listing of Structured Products/Market Linked Debentures". The revision in rating symbols for PPMLDs should not be construed as a change in the rating of the subject instrument. For details on CRISIL Ratings' use of 'PP-MLD' please refer to the notes to Rating scale for Debt Instruments and Structured Finance Instruments at the following link: <https://www.crisil.com/en/home/our-businesses/ratings/credit-ratings-scale.html>