

Press Release

Krishna Builder

09 April, 2018

Rating Reaffirmed and Assigned



Total Bank Facilities Rated*	Rs. 41.45crore (Enhanced from Rs.26.95 crore)
Long Term Rating	SMERA BBB-/ Negative (Reaffirmed)
Short Term Rating	SMERA A3 (Reaffirmed)

**Refer annexure for details*

SMERA has reaffirmed long term rating of '**SMERA BBB-**' (read as SMERA triple B minus) and the short term rating of '**SMERA A3**' (read as A three) to Rs.37.45 crore bank facilities of Krishna Builder (KB). The outlook is revised to 'Negative'.

Further SMERA has assigned long term rating of '**SMERA BBB-**' (read as SMERA triple B minus) to Rs.4.00 crore bank facility of Krishna Builder (KB). The outlook is 'Negative'.

Delhi-based Krishna Builder (KB) was established in 1994 as a proprietorship firm by Mr. Praveen Mittal. The firm is engaged in civil construction and carries out projects on behalf of National Buildings Construction Corporation Limited and Public Works Department.

Key rating drivers

Strengths

Established track record of operations and experienced management

KB was established in 1996 and hence has a presence in construction business for more than two decades. The promoter of the firm Mr. Naveen Mittal has experience of over two decades in the aforementioned business.

Long Association with government agencies

KB has executed projects for National Building Construction Corporation Limited (NBCL), Public works department (PWD) etc. All these departments, being a government entity, counter-party default risk remains minimal. Although, risk associated with delayed payment exist but due to long standing relationships and excellent past track record of the firm, coupled with extensive experience of the promoter, KB managed to collect payments within 70-80 days from work certification.

Healthy order book position

The firm has healthy order book position marked by current orders in hand of Rs. 300.00 crore as on March 2018. In FY2017, KB booked revenue of Rs. 81.01 crore as compared to Rs. 111.47 crore in FY2016 and Rs. 39.73 crore in FY2015. Further the firm has booked revenue of Rs.64.00 crore for the period April 2017 to January 2018.

Healthy financial risk profile of the firm

The firm has healthy financial risk profile marked by moderate tangible net worth of Rs. 18.68 crore as on 31 March, 2017 as against Rs. 16.22 crore as on 31 March, 2016. The gearing stood at 0.32 times as on 31 March, 2017 as against 0.21 times as on 31 March, 2016. The debt of Rs. 5.99 crore consists mainly of long term debt of Rs. 3.19 crore and short term debt of Rs. 1.21 crore as on 31 March, 2017. The Interest Coverage Ratio (ICR) stood at 8.82 times for FY2017 as compared to 15.21 times for FY2016. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.79 times as on 31 March 2017 as against 1.21 times as on 31 March 2016. The Net Cash Accruals/Total Debt (NCA/TD) stood at 0.91 times in FY2017 as against 2.17 times in FY2016.

Weaknesses

Competitive and fragmented industry

The firm is engaged as civil contractor. The particular sector is marked by the presence of several mid to big size players. The firm faces intense competition from the other players in the sectors. Risk become more pronounced as tendering is based on minimum amount of bidding of contracts. However, this risk is mitigated to an extent as management operating in this environment for last 22 years.

Tender based nature of business

Being a civil contractor, the revenue of KB depends on the number of successful bids and the tenders being released in the financial year. Going forward the firm's ability to bid for large orders and qualifying for the same remains to be seen. However, the promoters experience and relationship partially mitigates this risk.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of the firm to arrive at the rating.

Outlook – Negative

SMERA believes that the outlook of KB will remain 'Negative' over the medium term owing to decline in revenue. The rating would be downgraded if the pressures are further intensified due to decline in revenue and/or margins. Conversely, the outlook may be revised to 'Stable' if the firm is able to demonstrate growth in revenue.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	81.01	111.47	39.73
EBITDA	Rs. Cr.	5.93	7.84	3.08
PAT	Rs. Cr.	5.12	7.15	2.57
EBITDA Margin	(%)	7.32	7.04	7.76
PAT Margin	(%)	6.32	6.42	6.47
ROCE	(%)	26.23	46.26	26.77
Total Debt/Tangible Net Worth	Times	0.32	0.21	0.35
PBDIT/Interest	Times	8.82	15.21	7.02

Total Debt/PBDIT	Times	0.98	0.43	1.08
Gross Current Assets (Days)	Days	190	93	148

Any other information:

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Infrastructure Entities-<https://www.smera.in/criteria-infra.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Status of non-cooperation with previous CRA (if applicable):

None

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
Nov 15, 2017	Overdraft	Long Term	3.95	SMERA BBB- (Indicative)
	Bank Guarantee	Short Term	23.00	SMERA A3 (Indicative)
July 09, 2016	Overdraft	Long Term	3.95	SMERA BBB- /Stable (Upgraded)
	Bank Guarantee	Short Term	23.00	SMERA A3 (Upgraded)
March 26, 2015	Overdraft	Long Term	3.95	SMERA BB+/Stable (Assigned)
	Bank Guarantee	Short Term	20.00	SMERA A4+ (Assigned)

Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue	Ratings/Outlook
Overdraft	NA	NA	NA	3.95	SMERA BBB-/Negative (reaffirmed)
Term	NA	NA	NA	4.00	SMERA BBB-/Negative

Loan					(Assigned)
Bank Guarantee	NA	NA	NA	33.50	SMERA A3 (reaffirmed)

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ABOUT SMERA

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