

Press Release

Krishna Builder

August 05, 2022

Rating Reaffirmed



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	13.35	ACUITE BB+ Stable Reaffirmed	-
Bank Loan Ratings	48.10	-	ACUITE A4+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	61.45	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) and the short-term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.61.45 crore bank facilities of Krishna Builder. The outlook is 'Stable'.

Rationale for reaffirmation

The reaffirmation in rating factors in the company's long track record of operations and the promoter's experience of more than three decades in the industry. Further the rating factors in the order book position of the company which stood at Rs. 317 Cr. giving medium term revenue visibility. However the above factors are underpinned by the tender based business model as the paucity of tenders in the market resulted into dip in revenue in FY21 & FY22. The company's intensive working capital nature along with strong competition in the industry is also factored in while assigning the rating.

About the Company

Established in 1994, Krishna Builder (KB) is a Delhi-based proprietorship firm promoted by Mr. Praveen Mittal and is engaged in civil construction for government departments like National Buildings Construction Corporation Limited (NBCC), Public Works Departments (PWD) among others.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of Krishna Builder to arrive at this rating.

Key Rating Drivers

Strengths

Experienced Management

KB is managed by Mr. Praveen Mittal, who has around three decades of experience in the infrastructure industry. Further having an operational track record of 26 years has helped the

firm to maintain strong relations with its customers as well as with its suppliers. This has also helped to maintain moderate order book position with an unexecuted order of ~Rs.317 crore as on 30-April-2022. Acuite believes that the company will keep deriving benefits from the experience of its promoter.

Moderate Financial Risk Profile

The financial risk profile of the company is moderate marked by moderate net worth which slightly improved from Rs.33.96 Cr in FY2021 to Rs.35.65 Cr in FY2022(provisional). The gearing ratio has moderated from 0.39 times in FY2021 to 0.54 times FY2022. The total debt of the company in FY2022 is Rs.19.29 Cr which consists of long term debt of Rs. 6.84 Cr, Unsecured loans of Rs.4.44 Cr, CPLTD of Rs. 1.11 Cr. and short term debt of Rs.6.90 Cr. The coverage indicators of the company though slightly moderated but remained comfortable as is apparent from movement of interest coverage ratio from 4.11x in FY2021 to 3.00x in FY2022 and DSCR from 2.41x in FY2021 to 2.40x in FY22. Acuite believes that the financial risk profile of the company will improve on the back of improved top line and profitability of the company in future.

Weaknesses

Working capital Operations

Operations of the firm are working capital intensive marked by Gross Current Assets (GCA) of 326 days in FY2022 as against 227days in FY2021. This is primarily on account of sharp increase in other current assets of the company which comprises of Loans and advances, security deposits, Refunds, recoveries and claims. Current ratio stood moderate at 2.15 times as on 31 March 2022 as against 2.28 times as on 31 March 2021. Acuite believes that the working capital operations of KB will continue to remain moderately intensive on account of keeping high other current assets.

Competitive Industry and Customer Concentration Risk

The firm is engaged in the business of civil construction and faces intense competition from several players in the industry however, this risk is mitigated to an extent on account of its established market position. Further, the firm also faces customer concentration risk of 66 percent of the revenue in FY2022 was contributed from a single customer but considering the firm's long standing relation of around 25 years with the said customer the risk gets mitigated.

Material covenants

None.

Liquidity Position Adequate

Krishna Builder has adequate liquidity profile marked by net cash accruals to its maturing debt obligations. Firm generated net cash accruals of Rs.3.99 Crores against the debt obligation of almost nil for the same period. The net cash accruals are estimated in the range of Rs.9.42 Crores and Rs.10.49 Crores in FY23 and FY24 against the debt obligation of Rs.1.13 crores and Rs.0.96 Crores for the same period. The bank limit utilisation is 70.54% from Nov2021 to April 2022. Further, the unencumbered cash balance of FY2021 is Rs.1.55Crores.

Outlook: Stable

Acuite believes that the outlook of KB will remain 'Stable' over the medium term on account of its promoters' extensive experience and healthy financial risk profile. The outlook may be revised to 'Positive' in case of substantial and sustained growth in revenue and profitability largely facilitated through improvement in capacity utilization. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial risk profile, particularly its liquidity most likely as a result of higher than envisaged working capital requirements or higher than anticipated capex

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	79.86	106.08
PAT	Rs. Cr.	3.41	4.02
PAT Margin	(%)	4.27	3.79
Total Debt/Tangible Net Worth	Times	0.54	0.39
PBDIT/Interest	Times	3.00	4.11

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

Not Applicable.

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
22 Mar 2022	Secured Overdraft	Long Term	1.00	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Cash Credit	Long Term	8.00	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Bank Guarantee	Short Term	33.50	ACUITE A4+ (Downgraded and Issuer not co-operating*)
	Term Loan	Long Term	4.00	ACUITE BB+ (Downgraded and Issuer not co-operating*)
	Bank Guarantee	Short Term	14.00	ACUITE A4+ (Downgraded and Issuer not co-operating*)
	Proposed Bank Facility	Long Term	0.95	ACUITE BB+ (Downgraded and Issuer not co-operating*)
24 Dec 2020	Secured Overdraft	Long Term	1.00	ACUITE BBB- Stable (Assigned)
	Cash Credit	Long Term	8.00	ACUITE BBB- Stable (Reaffirmed)
	Secured Overdraft	Long Term	0.95	ACUITE BBB- (Withdrawn)
	Term Loan	Long Term	4.00	ACUITE BBB- Stable (Reaffirmed)
	Bank Guarantee	Short Term	11.00	ACUITE A3 (Withdrawn)
	Bank Guarantee	Short Term	14.00	ACUITE A3 (Assigned)
	Bank Guarantee	Short Term	33.50	ACUITE A3 (Reaffirmed)
	Proposed Bank Facility	Long Term	0.95	ACUITE BBB- Stable (Assigned)
30 Oct	Term Loan	Long Term	4.00	ACUITE BBB- (Reaffirmed)
	Secured Overdraft	Long Term	3.95	ACUITE BBB- (Reaffirmed)

2019	Bank Guarantee	Short Term	33.50	ACUITE A3 (Reaffirmed)
01 Jul 2019	Term Loan	Long Term	4.00	ACUITE BBB- (Issuer not co-operating*)
	Secured Overdraft	Long Term	3.95	ACUITE BBB- (Issuer not co-operating*)
	Bank Guarantee	Short Term	33.50	ACUITE A3 (Issuer not co-operating*)
09 Apr 2018	Secured Overdraft	Long Term	3.95	ACUITE BBB- Negative (Reaffirmed)
	Term Loan	Long Term	4.00	ACUITE BBB- Negative (Assigned)
	Bank Guarantee	Short Term	33.50	ACUITE A3 (Reaffirmed)
15 Nov 2017	Secured Overdraft	Long Term	3.95	ACUITE BBB- (Issuer not co-operating*)
	Bank Guarantee	Short Term	23.00	ACUITE A3 (Issuer not co-operating*)
09 Jul 2016	Secured Overdraft	Long Term	3.95	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
		Short		
	Bank Guarantee	Term	23.00	ACUITE A3 (Upgraded from ACUITE A4+)
26 Mar 2015	Secured Overdraft	Long Term	3.95	ACUITE BB+ Stable (Assigned)
	Bank Guarantee	Short Term	20.00	ACUITE A4+ (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
HDFC Bank Ltd	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	35.50	ACUITE A4+ Reaffirmed
Yes Bank Ltd	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	12.60	ACUITE A4+ Reaffirmed
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE BB+ Stable Reaffirmed
Yes Bank Ltd	Not Applicable	Overdraft	Not Applicable	Not Applicable	Not Applicable	0.85	ACUITE BB+ Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	7.50	ACUITE BB+ Stable Reaffirmed

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