

KCVR Infra Projects Private Limited: Assigned

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Cash Credit	9.00	SMERA BBB-/Stable (Assigned)
Bank Guarantee	46.00	SMERA A3(Assigned)
Bank Guarantee (Proposed)	10.00	SMERA A3 (Assigned)

SMERA has assigned ratings of '**SMERA BBB-**' (**read as SMERA triple B minus**) and '**SMERA A3**' (**read as SMERA A three**) on the Rs.65.00 crore bank facilities of KCVR Infra Projects Private Limited (KCVR). The outlook is '**Stable**'.

The ratings draw comfort from the company's experienced management and established track record of operations. The ratings also factor in the healthy financial risk profile, comfortable liquidity position and moderate order book position.

However, the ratings are constrained by the moderate scale of operations and high dependence on tender-based government orders in an intensely competitive segment of the civil construction industry.

KCVR, incorporated in 1994, is an Andhra Pradesh-based company engaged in civil construction projects (mainly roads). The company benefits from its experienced management. The promoter, Mr. K. C. Venkat Reddy possesses more than two decades of experience in civil construction. The company has a healthy financial risk profile marked by low gearing of 0.33 times and healthy coverage indicators. The Interest coverage ratio (ICR) stood at 7.46 times and debt service coverage ratio (DSCR) at 4.57 times with tangible net worth of Rs.19.21 crore for FY2014-15 (refers to financial year, April 01 to March 31). Further, the rating also notes the comfortable liquidity position. The average working capital limit utilisation stood at ~52 per cent for the last six months ended May, 2016. The order book position is moderate and provides comfortable revenue visibility for the next 24 months.

However, the ratings are constrained by modest scale of operations. The company reported 25 per cent decline in operating income from Rs.111.81 crore in FY2014-15 to Rs.83.36 crore (Provisional) in FY2015-16 (provisional) due to high dependence on government tenders making it vulnerable to order cyclical. The ratings also take into account the intense market competition.

Rating Sensitivity Factors

- Scaling up operations while maintaining adequate profitability
- Efficient working capital management

Outlook-Stable

SMERA believes that the outlook on KCVR's rated facilities will remain stable over the medium term on account of its promoter's extensive experience in the civil construction industry. The outlook may be revised to 'Positive' if the company registers higher than expected growth in revenue while maintaining a comfortable liquidity position and capital structure. Conversely, the outlook may be revised to 'Negative' in case of decline in cash accruals or stretched working capital cycle resulting in deterioration of its financial risk profile.

About the Company

KCVR (K. C. Venkat Reddy & Company) was established in 1994 by Directors, Mr. K. V. Jagan Reddy and Mr. K. Suresh Reddy. The company undertakes civil construction projects.

For FY2014-15, KCVR reported profit after tax (PAT) of Rs.4.72 crore on operating income of Rs.111.81 crore, as against PAT of Rs.3.30 crore on operating income of Rs.86.92 crore in FY2013-14. Further, KCVR registered profit before tax of Rs.3.38 crore on operating income of Rs.83.36 crore in FY2015-16 (provisional).

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ABOUT SMERA

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