

Press Release

K. Gowda & Co.

April 07, 2023



Rating Downgraded and Issuer not co-operating

| Product | Quantum (Rs. Cr) | Long Term Rating | Short Term Rating |
|------------------------------------|---------------------|---|---|
| Bank Loan Ratings | 50.50 | ACUITE B+ Downgraded Issuer not co-operating* | - |
| Bank Loan Ratings | 35.00 | - | ACUITE A4 Downgraded Issuer not co-operating* |
| Total Outstanding Quantum (Rs. Cr) | 85.50 | - | - |

Rating Rationale

Acuite has downgraded its long-term rating to '**ACUITE B+**' (read as **ACUITE B plus**) from '**ACUITE BB-**' ((read as **ACUITE double B minus**) and short-term rating of '**ACUITE A4**' (read as **ACUITE A four**) from **ACUITE A4+ (read as ACUITE A four Plus)** on the Rs.85.50 Cr bank facilities of K GOWDA & CO (KGC).

This rating is now an indicative rating and is based on the best available information. The rating has been downgraded on account of information risk.

About the Company

K Gowda and Co is a Bangalore-based proprietorship firm established in 1979 by Mr. H R K Gowda. It was converted into a partnership firm in 2010. Currently, Mr. H R K Gowda, Mr. Rakshith Kempeere Gowda, Mr. Vijaysurya Kempeere Gowda, Smt. Bhagyamma are partners in the firm. The firm is a Class-I Contractor engaged in civil construction of buildings, irrigation water supply systems and roads for several government organisations. The partners possess over three decades of experience in civil construction industry.

Non-cooperation by the issuer/borrower

Acuite has been requesting for No Default Statements (NDS); however, despite multiple requests; the Company's management has remained non-cooperative and not submitted the NDS for the preceding 04 consecutive months. Acuite has also been requesting for data, information and undertakings from the rated entity for conducting surveillance & review of the rating. However, the issuer/borrower failed to submit such information before the due date.

Acuite believes that information risk is a critical component in such ratings, and noncooperation by the issuer along with unwillingness to provide information could be a sign of potential deterioration in its overall credit quality. This rating is therefore being flagged as "Issuer not cooperating", in line with prevailing SEBI regulations and Acuite's policies.

Limitation regarding information availability

The rating is based on information available from sources other than the issuer/borrower (in

the absence of information provided by the issuer/borrower). Acuité has endeavoured to gather information about the entity/industry from the public domain. Therefore, Acuité cautions lenders and investors regarding the use of such information, on which the indicative credit rating is based.

Rating Sensitivities

No information provided by the issuer / available for Acuite to comment upon.

Material Covenants

None

Liquidity Position

No information provided by the issuer / available for Acuite to comment upon.

Outlook

None

Other Factors affecting Rating

None

Key Financials

| Particulars | Unit | FY 22 (Actual) | FY 21 (Actual) |
|-------------------------------|---------|----------------|----------------|
| Operating Income | Rs. Cr. | 100.17 | 89.91 |
| PAT | Rs. Cr. | 2.44 | 2.13 |
| PAT Margin | (%) | 2.44 | 2.37 |
| Total Debt/Tangible Net Worth | Times | 2.76 | 3.05 |
| PBDIT/Interest | Times | 3.30 | 2.68 |

Status of non-cooperation with previous CRA

None

Any other information

Acuité is not in receipt of the "No Default Statement (NDS)" since November 2022.

Applicable Criteria

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

Note on Complexity Levels of the Rated Instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite' s categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

| Date | Name of Instruments/Facilities | Term | Amount (Rs. Cr) | Rating/Outlook |
|-------------|--------------------------------|------------|-----------------|--|
| 05 Jan 2023 | Bank Guarantee | Short Term | 17.50 | ACUITE A4+ (Assigned) |
| | Cash Credit | Long Term | 5.00 | ACUITE BB- Stable (Upgraded from ACUITE B+) |
| | Term Loan | Long Term | 3.00 | ACUITE BB- Stable (Assigned) |
| | Bank Guarantee | Short Term | 2.50 | ACUITE A4+ (Upgraded from ACUITE A4) |
| | Proposed Cash Credit | Long Term | 15.00 | ACUITE BB- Stable (Assigned) |
| | Cash Credit | Long Term | 9.50 | ACUITE BB- Stable (Assigned) |
| | Proposed Term Loan | Long Term | 17.00 | ACUITE BB- Stable (Assigned) |
| | Proposed Bank Guarantee | Short Term | 15.00 | ACUITE A4+ (Assigned) |
| | Term Loan | Long Term | 0.60 | ACUITE BB- Stable (Upgraded from ACUITE B+) |
| | Proposed Long Term Loan | Long Term | 0.40 | ACUITE BB- Stable (Assigned) |
| 20 Oct 2021 | Term Loan | Long Term | 0.60 | ACUITE B+ (Downgraded and Issuer not co-operating*) |
| | Bank Guarantee | Short Term | 2.50 | ACUITE A4 (Issuer not co-operating*) |
| | Cash Credit | Long Term | 5.00 | ACUITE B+ (Downgraded and Issuer not co-operating*) |
| 22 Jul 2020 | Term Loan | Long Term | 0.60 | ACUITE BB- (Downgraded and Issuer not co-operating*) |
| | Cash Credit | Long Term | 5.00 | ACUITE BB- (Downgraded and Issuer not co-operating*) |
| | Bank Guarantee | Short Term | 2.50 | ACUITE A4 (Downgraded and Issuer not co-operating*) |

Annexure - Details of instruments rated

| Lender's Name | ISIN | Facilities | Date Of Issuance | Coupon Rate | Maturity Date | Complexity Level | Quantum (Rs. Cr.) | Rating |
|----------------|----------------|-------------------------|------------------|----------------|----------------|------------------|-------------------|---|
| Canara Bank | Not Applicable | Bank Guarantee (BLR) | Not Applicable | Not Applicable | Not Applicable | Simple | 2.50 | ACUITE A4 Downgraded Issuer not co-operating* |
| Canara Bank | Not Applicable | Bank Guarantee (BLR) | Not Applicable | Not Applicable | Not Applicable | Simple | 17.50 | ACUITE A4 Downgraded Issuer not co-operating* |
| Canara Bank | Not Applicable | Cash Credit | Not Applicable | Not Applicable | Not Applicable | Simple | 5.00 | ACUITE B+ Downgraded Issuer not co-operating* |
| Canara Bank | Not Applicable | Cash Credit | Not Applicable | Not Applicable | Not Applicable | Simple | 9.50 | ACUITE B+ Downgraded Issuer not co-operating* |
| Not Applicable | Not Applicable | Proposed Bank Guarantee | Not Applicable | Not Applicable | Not Applicable | Simple | 15.00 | ACUITE A4 Downgraded Issuer not co-operating* |
| Not Applicable | Not Applicable | Proposed Cash Credit | Not Applicable | Not Applicable | Not Applicable | Simple | 15.00 | ACUITE B+ Downgraded Issuer not co-operating* |
| Not Applicable | Not Applicable | Proposed Long Term Loan | Not Applicable | Not Applicable | Not Applicable | Simple | 0.40 | ACUITE B+ Downgraded Issuer not co-operating* |
| Not Applicable | Not Applicable | Proposed Term Loan | Not Applicable | Not Applicable | Not Applicable | Simple | 17.00 | ACUITE B+ Downgraded Issuer not co-operating* |
| Canara Bank | Not Applicable | Term Loan | Not available | Not available | Not available | Simple | 3.00 | ACUITE B+ Downgraded Issuer not co-operating* |
| Canara Bank | Not Applicable | Term Loan | Not available | Not available | Not available | Simple | 0.60 | ACUITE B+ Downgraded Issuer not co-operating* |

Contacts

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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