

Press Release

KBC Infrastructures Private Limited

March 14, 2018

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 24.50 Cr. (Enhanced from Rs.19.00 crore)
Long Term Rating	SMERA BB- / Outlook: Stable (Reaffirmed)
Short Term Rating	SMERA A4+ (Reaffirmed)

* Refer Annexure for details

Rating Rationale

SMERA has reaffirmed long-term rating of '**SMERA BB-**' (**read as SMERA BB minus**) and short term rating of '**SMERA A4+**' (**read as SMERA A4 Plus**) on the Rs. 19.50 crore bank facilities of KBC INFRASTRUCTURES PRIVATE LIMITED. SMERA has also assigned rating of '**SMERA BB-**' (**read as SMERA BB minus**) and short term rating of '**SMERA A4+**' (**read as SMERA A4 Plus**) on Rs.5.50 crore bank facilities. The outlook is '**Stable**'.

KBC Infrastructure Private Limited (KIPL) is an Andhra Pradesh based company by Mr. Butuchaiah Kannegati and Mrs. Vasavilatha Kanneganti engaged in civil construction work. The company is engaged in the construction of roads and bridges for government organisations Andhra Pradesh (AP) Roads & Buildings Department and Panchayet Raj Department.

Key Rating Drivers

Strengths

- **Experienced management**

The company is promoted by Mr. Butuchaiah who possesses experience of around three decades in the civil construction business

Weaknesses

- **Average Financial Risk profile**

KIPL'S average financial risk profile is marked by low networth, modest gearing and healthy coverage ratio. The net worth of the company stands at Rs.9.33 crore as on 31st March, 2017 as against Rs.6.32 crore in the previous year. The gearing stood at 1.30 times as on March 31st 2017 as against 2.74 times in the previous year. The debt mainly comprises of long term debt of Rs.4.42 crores, unsecured loans from promoters of Rs.1.47 crores and short term borrowings of Rs.3.32 crores. The interest coverage ratio stood at 3.30 times as on FY 2017 as against 2.43 times as on FY 2016. The NCA/TD ratio stood at 0.39 times as in FY2017 as against 0.13 times in the previous year. The Debt Service Coverage Ratio (DSCR) stood at 1.36 times in FY2017 as against 1.27 times in the previous year.

- **Working Capital intensive nature of operations**

The operations of the company are working capital intensive with gross current asset (GCA) days stands at 118 days in FY 2017 as against 215 days in the previous year. The reason for the same is due to inventory days to 95 days in FY16-17 to 232 days in FY 2015-16. The reason for the decrease is due to faster execution of older projects. The debtor days stood at 25 days as on 31st March 2017 as against 29 days in the previous year.

• Geographical concentration risk

The company only operates in Andhra Pradesh, the company is exposed to geographical concentration risk.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the firm.

Outlook: Stable

SMERA believes that KIPL will maintain a stable business profile in the medium term while benefitting from its experienced management and healthy accruals. The outlook may be revised to 'Positive' if KIPL scales up operations while maintaining profitability. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues or if the working capital cycle deteriorates.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	66.01	19.77	15.55
EBITDA	Rs. Cr.	9.08	4.70	3.42
PAT	Rs. Cr.	3.02	0.92	0.61
EBITDA Margin	(%)	13.75	23.79	21.99
PAT Margin	(%)	4.57	4.68	3.94
ROCE	(%)	31.48	23.79	21.99
Total Debt/Tangible Net Worth	Times	1.30	2.74	2.07
PBDIT/Interest	Times	3.30	2.43	2.52
Gross Current Assets (Days)	Days	118	215	232

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

Not applicable

Any other information

Not applicable

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Crore)	Ratings/Outlook
21-April, 2017	Overdraft	Long Term	11.00	SMERA BB-/Stable (Assigned)
	Term Loans	Long Term	3.00	SMERA BB-/Stable (Assigned)
	Proposed Secured Overdraft	Long Term	2.50	SMERA BB-/Stable (Assigned)
	Bank Guarantee /Letter of Guarantee	Short Term	2.50	SMERA A+ (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Overdraft	Not Applicable	Not Applicable	Not Applicable	14.00	SMERA BB- / Stable (Reaffirmed)
Term Loans	Not Applicable	Not Applicable	Not Applicable	2.40	SMERA BB- / Stable (Reaffirmed)
Proposed Facility	Not Applicable	Not Applicable	Not Applicable	3.10	SMERA BB- / Stable (Reaffirmed)
Bank Guarantee/ Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	5.00	SMERA A4+ (Reaffirmed)

Contacts

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ABOUT SMERA

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