

Press Release

Keen and Core Developers



15 March, 2017

Rating Assigned

Total Bank Facilities Rated	Rs. 12.50 crore
Long Term Rating	SMERA BB-/ Stable (Assigned)
Short Term Rating	SMERA A4+ (Assigned)

* Refer Annexure for details

Rating Rationale

SMERA has assigned long term rating of '**SMERA BB-**' (read as **SMERA double B minus**) and the short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 12.50 crore bank facilities of KEEN AND CORE DEVELOPERS (KCD). The outlook is '**Stable**'.

Keen and Core Developers was established in 2008 as a proprietorship firm by Mr. Satyabeer Singh. The firm undertakes civil construction contracts for construction of roads and buildings for the state governments of Madhya Pradesh and Uttar Pradesh.

Key rating drivers

Strengths

Experienced management

The Proprietor, Mr. Satyabeer Singh possesses more than two decades of experience in the civil construction business. SMERA believes that the firm will benefit from its experienced management.

Improvement in operating margins and healthy revenue growth in FY2018

The operating margins improved from 8.41 percent in FY2016 to 15.75 percent in FY2017, mainly due to decrease in employee and overhead costs. Further, during 01 April 2017 to 31 January 2018, the firm generated revenue of around Rs.32 crore. The significant revenue growth is on account of healthy order book position. (KCD received orders worth Rs. 97.70 crore for construction of roads and buildings in Madhya Pradesh and Uttar Pradesh).

Moderate financial risk profile

The financial risk profile is moderate, marked by net worth of Rs. 11.00 crore as on 31 March, 2017 as against Rs.9.05 crore as on 31 March, 2016. The increase in net worth is mainly due to retention of profits. The gearing increased to 1.28 times as on 31 March, 2017 from 0.66 times as on 31 March, 2016 on account of debt funded capital expenditure. Of the total debt of Rs. 14.05 crore, long term debt constitutes Rs. 8.01 crore, unsecured loans of Rs. 1.16 crore and short term loan of Rs. 4.87 crore as on 31 March 2017. The Interest Coverage Ratio is comfortable at 3.04 times in FY2017 as against 3.45 times in FY2016. The Total outside

Liabilities to Total Net Worth (TOL/TNW) stood at 1.59 times in FY2017 as against 1.03 times in the previous year.

Weaknesses

Working capital intensive operations

The operations are working capital intensive evident from the high Gross Current Asset (GCA) days of 179 in FY2017 as against 120 days in FY2016. This is mainly on account of debtor days which increased to 138 days in FY2017 from 96 days in FY2016 due to delayed payments from government entities. The Inventory days also increased to 25 days in FY2017 from 12 days in FY2016. Further, the cash credit limit has been fully utilised by the firm during the six months ended 31 January, 2018.

Competitive and fragmented industry

The civil construction sector is marked by several mid to big sized players. The firm faces intense competition from other players in the sector. The risk becomes more pronounced as tenders are based on the minimum amount of bidding of contracts.

Analytical approach:

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

Outlook – Stable

SMERA believes that KCD will maintain a stable outlook in the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the firm registers higher-than-expected growth in revenues and net cash accruals or any improvement in working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected growth in revenue or stretch in working capital cycle.

About the Rated Entity – Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	18.38	25.17	10.11
EBITDA	Rs. Cr.	2.90	2.12	1.16
PAT	Rs. Cr.	0.98	1.33	0.47
EBITDA Margin	(%)	15.75	8.41	11.44
PAT Margin	(%)	5.31	5.29	4.68
ROCE	(%)	10.14	13.67	15.19
Total Debt/Tangible Net Worth	Times	1.28	0.66	0.73
PBDIT/Interest	Times	3.04	3.45	2.08
Total Debt/PBDIT	Times	4.39	2.64	4.81
Gross Current Assets (Days)	Days	179	120	200

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):

Not Applicable

Rating History (Upto last three years)

Not Applicable

*Annexure - Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00	SMERA BB-/Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	6.50	SMERA A4+ (Assigned)

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ABOUT SMERA

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