

Press Release

K K Builders Private Limited

April 18, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 34.50 Cr.
Long Term Rating	SMERA BBB- / Outlook: Stable
Short Term Rating	SMERA A3

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BBB-**' (read as **SMERA BBB minus**) and short term rating of '**SMERA A3**' (read as **SMERA A three**) on the Rs. 34.50 crore bank facilities of K K BUILDERS PRIVATE LIMITED. The outlook is '**Stable**'.

KKBPL was incorporated in 1990 in Jamshedpur, Jharkhand by Mr. Vikas Singh and his family members. The company is primarily engaged in civil construction work for building roads, bridges, and irrigation segments, mainly in Jharkhand and Bihar. The entity majorly works for the Central Govt. entities such as National Projects Construction Corporation Ltd, Central Public Works Department, etc. The company is a Class-1 contractor for government departments.

Key Rating Drivers

Strengths

- **Experienced promoters with long track record of operations:**

KKBPL is currently managed by Mr. Vikash Singh. Mr. Singh has more than 15 years of experience in executing civil construction projects. He is being duly supported by other directors and experienced personnel. Furthermore, KKBPL commenced operation since 1990 and accordingly has a long track record of operations.

- **Healthy order book position:**

The company has an order book position of around Rs.208.89 crore as on February 2018. This order book provides comfortable revenue visibility over the medium term.

- **Comfortable financial risk profile**

The company is having comfortable financial risk profile marked by moderate networth, low gearing and robust debt protection measures. The networth stood at Rs.26.03 crore as against Rs.20.05 crore in the previous year. The gearing stood low at 0.20 times as on 31st March 2017 as against 0.51 times in the previous year. The total debt of Rs. 5.30 crore consists of Rs.3.81, unsecured loans of Rs.0.93 crore and short term debt of Rs.0.56 crore. The interest coverage ratio stood at 10.01 times as on 31st March 2017 as against 3.99 times in the previous year. The NCA/TD ratio stood at 1.89 times in FY2017 as against 0.38 times in the previous year.

- **Improvement in scale of operation and profitability margins**

The scale of operations of KKB improved but the same remained modest marked by total operating income of Rs.97.26 crore in FY2017 as against Rs.52.14 crore in the previous year. The EBIDTA margin stood at 14.34 percent in FY2017 as against 10.20 percent in the previous year. The reason for the same is due to faster execution of pending projects.

Weaknesses

- **High Dependence on Government Orders**

The project portfolio of KKBPL is concentrated in the state of Jharkhand. Any change in geo political environment would affect all the projects at large. Furthermore, any changes in current policies of the state government with regard to change in budget allocation would impact KKB's revenue considerably.

• Tender based nature of business

KKBPL operates in the construction industry which requires bidding for the projects based on the tenders. Accordingly, the company is exposed to intense competition from several organised and unorganised players. Given the volatile economic environment, there has been slowdown in release of new contracts, which has resulted in sluggish growth being witnessed by the construction industry.

Analytical Approach

SMERA has considered standalone financials of the company

Outlook: Stable

SMERA believes the outlook on KKBPL rated facilities will remain stable over the medium term on account of long track record of operations and healthy order book. The outlook may be revised to 'Positive' if the company registers significant and sustainable growth in revenue and profitability while maintaining a comfortable capital structure. Conversely, the outlook may be revised to 'Negative' in case of company registers significant decline in cash accruals or delay in execution of projects, thus resulting in deterioration of its financial risk profile

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	97.36	52.14	33.66
EBITDA	Rs. Cr.	13.96	5.32	5.39
PAT	Rs. Cr.	5.99	1.88	1.45
EBITDA Margin	(%)	14.34	10.20	16.02
PAT Margin	(%)	6.15	3.60	4.32
ROCE	(%)	34.04	12.54	22.19
Total Debt/Tangible Net Worth	Times	0.20	0.51	0.85
PBDIT/Interest	Times	10.01	3.99	4.03
Total Debt/PBDIT	Times	0.37	1.71	2.58
Gross Current Assets (Days)	Days	36	137	298

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>
- 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>

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. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.50	SMERA BBB- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	30.00	SMERA A3

Contacts

Analytical	Rating Desk
<p>Suman Chowdhury President - SMERA Bond Ratings Tel: 022-67141107 suman.chowdhury@smera.in</p> <p>Deep Majumder Analyst - Rating Operations Tel: 022-67141147 deep.majumder@smera.in</p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-67141160 varsha.bist@smera.in</p>

ABOUT SMERA

SMERA Ratings Limited is a joint initiative of SIDBI, D&B and leading public and private sector banks in India. SMERA is registered with SEBI, accredited by RBI as an External Credit Assessment Institution (ECAI), under BASEL-II norms for undertaking Bank Loan Ratings. SMERA Bond Ratings is a division of SMERA Ratings Limited responsible for ratings of bank facilities, and capital market/money market debt instruments such as Bonds, Debentures, Commercial Papers, Fixed Deposits, Certificate of Deposits etc.. For more details, please visit www.smera.in.

Disclaimer: A SMERA rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. SMERA ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, SMERA, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. SMERA is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. SMERA ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.smera.in) for the latest information on any instrument rated by SMERA.