

## Press Release

### K K Builders Private Limited

March 14, 2019



### Rating Reaffirmed

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

\* Refer Annexure for details

### Rating Rationale

Acuité has reaffirmed long-term rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) and short term rating of '**ACUITE A3**' (**read as ACUITE A three**) to the Rs. 34.50 crore bank facilities of K K Builders Private Limited (KKPL). The outlook is '**Stable**'.

KKPL was incorporated in 1990 at 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 and Central Public Works Department, among others. The company is a Class-1 contractor for government departments.

### Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the KKPL to arrive at this rating.

### Key Rating Drivers

#### Strengths

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

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

- **Moderate financial risk profile**

The company has moderate financial risk profile marked by moderate net worth, low gearing and robust debt protection measures. The net worth stood at Rs.29.01 crore as against Rs.26.03 crore in the previous year. The gearing stood low at 0.25 times as on 31 March, 2018 as against 0.20 times in the previous year. The total debt of Rs.7.23 crore consists of term loan of Rs.1.61 crore, unsecured loan of Rs.1.16 crore and short term debt of Rs.4.45 crore. The interest coverage ratio stood at 6.43 times as on 31 March, 2018 as against 10.01 times in the previous year. The NCA/TD ratio stood at 0.99 times in FY2018 as against 1.89 times in the previous year.

#### Weaknesses

- **High dependence on Government orders**

The project portfolio of KKPL 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 KKPL's revenue considerably.

- **Tender based nature of business**

KKPL 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.

- **Working capital intensive operations**

The operations are working capital intensive evident from the Gross Current Assets (GCA) of 102 days for FY2018 as against 36 days for FY2017. This is mainly on account of high amount of deposits to be maintained with customers including tender deposits and retention money. Further, the average cash credit limit utilisation for the last six months stood at ~79.05 percent ended 31 January, 2019.

**Liquidity Position:**

KKPL has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.3.71 - 10.04 crore during the four years through 2015-18, while its maturing debt obligations were in the range of Rs.1.16 - 2.20 crore over the same period. The cash accruals of the company are estimated to remain around similar range during 2019 -21 with no repayment obligations. The company's operations are working capital intensive as marked by gross current asset (GCA) days of 102 in FY 2018. This has increased the reliance on working capital borrowings.

The cash credit limit in the company remains utilised at ~79.05 percent during the last 6 months period ended January 2019. The company maintains unencumbered cash and bank balances of Rs.3.63 crore as on March 31, 2018. The current ratio of the company stood moderate at 1.34 times as on March 31, 2018. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of healthy cash accrual and no major repayments over the medium term.

**Outlook: Stable**

Acuité believes that the outlook on KKPL 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 the 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	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	71.84	97.36	52.14
EBITDA	Rs. Cr.	9.95	13.96	5.32
PAT	Rs. Cr.	2.98	5.99	1.88
EBITDA Margin (%)	(%)	13.86	14.34	10.20
PAT Margin (%)	(%)	4.14	6.15	3.60
ROCE (%)	(%)	18.10	34.04	12.54
Total Debt/Tangible Net Worth	Times	0.25	0.20	0.51
PBDIT/Interest	Times	6.43	10.01	3.99
Total Debt/PBDIT	Times	0.71	0.37	1.71
Gross Current Assets (Days)	Days	102	36	137

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

None

**Any other information**

None

**Applicable Criteria**

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-14.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

**Note on complexity levels of the rated instrument**

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

### Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
18-Apr-2018	Cash Credit	Long Term	4.50	ACUITE BBB- / Stable (Assigned)
	Bank Guarantee	Short Term	30.00	ACUITE A3 (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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.50	ACUITE BBB- / Stable (Reaffirmed)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE A3 (Reaffirmed)

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### About Acuité Ratings & Research:

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