

Press Release

K K Builders Private Limited

January 28, 2020



Rating Reaffirmed

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

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) and short-term rating of '**ACUITE A3**' (**read as ACUITE A three**) on 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 KKPL to arrive at this rating.

Key Rating Drivers

Strengths

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

KKPL is engaged in civil construction activity since 1990. The day to day operations are managed by Mr. Vikash Singh, who has around two decades of experience in the aforementioned industry. Mr. Singh is being duly supported by other Directors and experienced personnel. The revenue stood at Rs.72.36 crore in FY2019 as against Rs.71.84 crore in the previous year. Further, the company generated revenues of Rs. 41.19 crore (Provisional) for the period April-November, 2019. The firm has healthy order book of Rs.288.20 crore which is expected to be executed by December, 2020. Further, the operating margins stood at 13.95 per cent in FY2019 as against 13.86 per cent in FY2018. Also, PAT margins stood healthy at 4.78 per cent in FY2019 as against 4.14 per cent in FY2018.

Acuité believes that KKPL will continue to benefit from its experienced management and established track record.

- **Moderate financial risk profile**

The company is having moderate financial risk profile marked by moderate networth, low gearing and robust debt protection measures. The networth stood at Rs.32.47 crore as against Rs.29.01 crore in the previous year. The gearing stood low at 0.22 times as on 31st March 2019 as against 0.21 times in the previous year. The total debt of Rs. 7.23 crore consists of term loans of Rs.5.74 crore and short term debt of Rs.1.49 crore. The interest coverage ratio stood at 9.51 times as on 31st March 2019 as against 6.43 times in the previous year. The NCA/TD ratio stood at 1.15 times in FY2019 as against 1.18 times in the previous year.

Acuité believes that the gearing levels are expected to be low on account of no major debt funded capex plans in near term.

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.

Rating Sensitivity

- Improving operating performance.
- Stretched working capital cycle and liquidity.

Material Covenants

None

Liquidity Position – Adequate

KPL has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.3.86 - 10.04 crore during the four years through 2016-19, 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 major repayment obligations. The cash credit limit in the company remains utilised at ~76 percent during the last 6 months period ended November 2019. The company maintains unencumbered cash and bank balances of Rs.0.08 crore as on March 31, 2019. The current ratio of the company stood moderate at 1.49 times as on March 31, 2019. 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	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	72.36	71.84
PAT	Rs. Cr.	3.46	2.98
PAT Margin	(%)	4.78	4.14
Total Debt/Tangible Net Worth	Times	0.22	0.21
PBDIT/Interest	Times	9.51	6.43

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

Not Applicable

Any other information

Acuité is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated requests and follow-ups.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.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
14-Mar-2019	Cash Credit	Long Term	4.50	ACUITE BBB-/Stable (Reaffirmed)
	Bank Guarantee	Short Term	30.00	ACUITE A3 (Reaffirmed)
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	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE A3 (Reaffirmed)
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A3 (Reaffirmed)

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About Acuité Ratings & Research:

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