

Press Release

Karan Development Services Private Limited

June 13, 2018



Rating Reaffirmed & Assigned

Total Bank Facilities Rated*	Rs. 98.00 Cr.
Long Term Rating	ACUITE BB/ Outlook:Stable (Reaffirmed & Assigned)
Short Term Rating	ACUITE A4+ (Reaffirmed & Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed and assigned long-term rating of '**ACUITE BB**' (**read as ACUITE double B**) and short-term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) on the Rs. 98.00 crore bank facilities of Karan Development Services Private Limited (KDSPL). The outlook is '**Stable**'.

Karan Development Services Private Limited (KDSPL) was established in 1989. It is engaged in civil construction mainly of dam, canal and other associated construction of canals primarily in Madhya Pradesh. Previously, it was also involved in laying railway tracks in Madhya Pradesh. Currently the company is headed by Mr. Karan Singh Kirar, Mr. Girraj Singh and Mr. Divyaraj Singh. The main raw materials required are diesel, cement; bricks procured from Indian Oil Corporation limited (IOCL), Shree Cement Limited, and others from local players. The major clients are government clients- Narmada Valley Development Authority (NVDA) and Water Resource Department (WRD) in Madhya Pradesh. The company was registered with Central Railway in "A- class" category and in "A-5" category with Irrigation Department, NVDA, Bhopal in "A-5" category and presently Registered in "A Class" category with M.P. PWD Department, Bhopal.

Key Rating Drivers

Strengths

- Established track record of operations and experienced promoter:**

KDSPL has established operational track record in the civil construction industry since 1989. The company has undertaken construction of roads, dams, canals etc. for government entities in Madhya Pradesh. Further, the promoters, Mr. Karan Singh Kirar, possess more than four decades of experience in the civil construction industry by virtue of prior employment.

- Comfortable financial risk profile**

KDSPL has moderate financial risk profile marked by tangible networth of Rs. 30.84 crore as on 31 March, 2017 as against Rs.31.19 crore in the previous year. The gearing stood at 0.56 times on 31 March, 2017 as against 0.66 times in the previous year. The Net Cash Accrual to Total Debt (NCA/TD) stood at 0.35 times as on 31 March, 2017 as against 0.29 times in the previous year. The Interest Coverage Ratio (ICR) stood at 2.29 times in FY2017 as against 2.27 times in FY2016.

Weaknesses

- Working capital intensive nature of operation**

KDSPL's operation is working capital intensive which is evident from high gross current assets (GCA) days of 216 days during FY2017 as compared to 222 days in FY2016. Inventory and

debtors days are stand at 33 and 1 days respectively in FY 2017 as compared to 80 and 0 days in FY 2016. The high GCA days are mainly on account of high other current assets of Rs. 41.87 crore in FY2017 as compared to Rs. 42.96 crore in FY2016 mainly consisting of deposits with various departments, and other receivables and recoveries.

• **High dependence on government orders**

KDSPL mainly executes contracts for two government departments i.e. Water Resources Department of Madhya Pradesh (MPWRD) and Narmada Valley Development Authority (NVDA) of Madhya Pradesh and hence is exposed to customer concentration risk. However, the company has been dealing with government bodies for a long time and hence enjoys long term relations.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the company.

Outlook: Stable

Acuité believes that the outlook on KDSPL's rated facilities will remain stable over the medium term on account of its established presence and experienced promoters in the civil construction industry. The outlook may be revised to 'Positive' if the company registers significant growth in revenue and profitability while maintaining a comfortable capital structure. Conversely, the outlook may be revised to 'Negative' in case of company registers stretched working capital cycle 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.	82.09	108.62	67.56
EBITDA	Rs. Cr.	9.84	11.65	8.52
PAT	Rs. Cr.	3.83	3.05	0.95
EBITDA Margin	(%)	12.0	10.73	12.61
PAT Margin	(%)	4.66	2.81	1.40
ROCE	(%)	19.67	20.03	28.89
Total Debt/Tangible Net Worth	Times	0.56	0.66	0.74
PBDIT/Interest	Times	2.29	2.27	2.02
Total Debt/PBDIT	Times	1.42	1.54	1.95
Gross Current Assets (Days)	Days	216	222	362

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>
- Financial Ratios And Adjustments -<https://www.acuite.in/criteria-fin-ratios.htm>
- Infrastructure Entities-<https://www.acuite.in/criteria-infra.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.Crore)	Ratings/Outlook
30th Apr 18	Cash Credit	Long Term	3.65	SMERA BB/Stable(Assigned)
	Bank Guarantee	Short Term	77.78	SMERA A4+(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	5.65 (enhanced from Rs. 3.65 cr.)	ACUITE BB/Stable (Reaffirmed)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BB/Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	77.78	ACUITE A4+(Reaffirmed)
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	4.57	ACUITE A4+ (Assigned)

Contacts

Analytical	Rating Desk
Suman Chowdhury President - Rating Operations Tel: 022-67141107 suman.chowdhury@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 varsha.bist@acuite.in
Debalina Maity Analyst - Rating Operations Tel: 033-66201212 debalina.maity@acuite.in	

Disclaimer: An Acuité 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. Acuité 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, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité 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. Acuité 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.acuite.in) for the latest information on any instrument rated by Acuité.