



Press Release
Krishna Constructions
October 11, 2024
Rating Downgraded and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	8.00	ACUITE D Downgraded	-
Bank Loan Ratings	6.00	-	ACUITE A4 Reaffirmed
Bank Loan Ratings	7.00	-	ACUITE D Downgraded
Total Outstanding Quantum (Rs. Cr)	21.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has downgraded its long-term rating to ‘**ACUITE D**’ (read as **ACUITE D**) from ‘**ACUITE B**’ (read as **ACUITE B**) on the Rs 8.00 Cr. bank facilities of Krishna Constructions (KC).
Acuite has downgraded its short-term rating to ‘**ACUITE D**’ (read as **ACUITE D**) from ‘**ACUITE A4**’ (read as **ACUITE A four**) on the Rs. 7.00 Cr. bank facilities of Krishna Constructions (KC).
Acuite has reaffirmed its short-term rating of ‘**ACUITE A4**’ (read as **ACUITE A four**) on the Rs.6.00 Cr. bank facilities of Krishna Constructions (KC).

Rationale for downgrade :

The rating is downgraded on account of recent overdrawals in cash credit accounts (March 2024, April 2024, May 2024, continuous till 26th June 2024) by KC and irregular account conduct as per the banker's feedback and other information reports. The account is currently marked SMA-2 by the banker.

About the Company

KC was established in 2008 as a partnership firm by Mr. Chidipothu Krishna Murthy along with his son, Mr. Chidipothu Karthik. The firm is a Special Class I civil contractor for executing government Works of Roads and Buildings R&B, Panchayat Raj, and National Highways Development Road works of Andhra Pradesh and Telangana states. Its registered office is located in Vijayawada (Andhra Pradesh). The firm participates in tenders issued by Public Works Department PWD and other government departments of Andhra Pradesh and Telangana. The contracts awarded are related to cement concrete (CC) roads and bituminous surface treatment (BT), culverts, and bridges.

Unsupported Rating

Not applicable

Analytical Approach

Acuite has considered the standalone business and financial risk profile of KC to arrive at the rating

Key Rating Drivers

Strengths

- **Experienced management and established relationships with its key principals**

KC is a partnership firm started by Mr. Chidipothu Krishna Murthy and his son in Mr. Chidipothu Karthik in 2008. Managing partner, Mr. Chidipothu Krishna Murthy has been in this line of business for over three decades through his association with other individual firms. The longstanding presence in the industry, continuous execution, and timely deliverables have supported regular orders, though modest. Acuité believes that KC will continue to benefit from partners' extensive experience in the civil construction industry, which is expected to keep the business risk profile moderate over the medium term.

Weaknesses

- **Instance of delay and irregularities account conduct**

There have been recent overdrawals in cash credit accounts (in the months of March, April, and May 2024 and continued till 26th June 2024) by KC and irregular account conduct as per the banker's feedback and other information reports. The account is currently marked SMA-2 by the banker.

Rating Sensitivities

- Regular servicing of debt obligations

Liquidity Position: Poor

The liquidity position of the company is marked poor on account of recent past instances of overdrawals in cash credit account for 86 days.

Outlook: Not applicable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	37.16	18.81
PAT	Rs. Cr.	1.97	1.03
PAT Margin	(%)	5.31	5.47
Total Debt/Tangible Net Worth	Times	1.09	1.31
PBDIT/Interest	Times	2.95	1.83

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

Not applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
30 Mar 2024	Bank Guarantee/Letter of Guarantee	Short Term	7.00	ACUITE A4 (Downgraded from ACUITE A4+)
	Proposed Short Term Bank Facility	Short Term	6.00	ACUITE A4 (Downgraded from ACUITE A4+)
	Cash Credit	Long Term	8.00	ACUITE B Stable (Downgraded from ACUITE BB- Stable)
02 Jan 2023	Cash Credit	Long Term	8.00	ACUITE BB- Stable (Downgraded from ACUITE BB Negative)
	Bank Guarantee/Letter of Guarantee	Short Term	9.00	ACUITE A4+ (Reaffirmed)
	Proposed Short Term Bank Facility	Short Term	4.00	ACUITE A4+ (Reaffirmed)
07 Oct 2021	Cash Credit	Long Term	8.00	ACUITE BB Negative (Reaffirmed)
	Proposed Short Term Bank Facility	Short Term	4.00	ACUITE A4+ (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	9.00	ACUITE A4+ (Reaffirmed)
20 Sep 2021	Bank Guarantee/Letter of Guarantee	Short Term	13.00	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	8.00	ACUITE BB Negative (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Bank of Maharashtra	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	7.00	Simple	ACUITE D Downgraded (from ACUITE A4)
Bank of Maharashtra	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	8.00	Simple	ACUITE D Downgraded (from ACUITE B)
Not Applicable	Not avl. / Not appl.	Proposed Short Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	6.00	Simple	ACUITE A4 Reaffirmed

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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