

Press Release

Kalika Stone Works

June 05, 2019



Rating Assigned

Total Bank Facilities Rated	Rs. 14.50 crore
Long Term Rating	ACUITE BBB- / Stable (Assigned)
Short Term Rating	ACUITE A3 (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned the long term rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) and the short term rating of '**ACUITE A3**' (**read as ACUITE A three**) on the Rs. 14.50 crore bank facilities of Kalika Stone Works (KSW). The outlook is '**Stable**'.

Established in 1980- Kalika Stone Works (KSW) is a Kolkata based partnership firm promoted by Mr. Sovraj Attalani. The firm is engaged in construction of roads and drains in and around West Bengal.

Analytical Approach:

Acuité has taken a standalone view of the business and financial risk profile of KSW to arrive at the rating.

Key Rating Drivers

Strengths: -

Long track record and experienced management

KSW is managed by Attalani family consisting of Mr. Sovraj Attalani, his wife Dipti Attalani, his brother Basant Kumar Attalani, his son Saurav Attalani and Subrekha Vanijya Private Limited, a firm floated by the Attalani Family. The management has experience of more than three decades in the civil construction business. The long track record and successful execution has helped KSW to secure repeated orders from government departments.

Healthy financial risk profile

KSW has a healthy financial risk profile marked by modest net worth, comfortable gearing and strong debt protection metrics. The net worth stood at Rs. 20.32 crore as on 31st March'18 as against Rs. 17.79 crore a year earlier. The gearing stands comfortable at 0.31 times as on 31st March'18, as against 0.29 times a year earlier. The debt protection metrics stands healthy with interest coverage ratio of 6.91 times in FY2018 and the NCA/TD stands at 0.61 times in FY2018.

Healthy operating performance

The operating performance of KSW improved in FY 2018-19 (Provisional) with the firm achieving revenue of ~ Rs 87.00 crore as compared to Rs 48.05 crore in FY 2017-18 thereby registering a y-o-y growth of 81 percent. The growth in operating income can be attributed to execution of higher number of tenders and relatively smooth execution of the tenders received. Also with orders in hand of Rs 172 crore to be executed within the next 12-15 months provides revenue visibility. The operating margins also improved to 12.65 per cent in FY 2017-18 as compared to 9.70 per cent a year earlier. The margins improved on account of successfully win tenders at better rates.

Weaknesses:

Working Capital intensive operations

The nature of operations of KSW is working capital intensive, characterized by gross current asset days (GCA) days of 150 as on 31st March'18 as compared to 157 days as on 31st March'17. This can be attributed to the

high level of other current assets on account of earnest money deposits, which are mandatory for obtaining government tenders in the civil construction business. This intensifies moderate working capital requirements. The fund based limit utilization though stands comfortable at ~ 51 per cent for the 12 month ended December'18.

Geographical concentration and presence in highly competitive & fragmented industry

KSW is executing projects mainly concentrated in West Bengal. KSW operates in the highly competitive construction industry with handful of major companies involved in the construction activities across all segments; medium-sized companies specializing in niche activities; and small and medium contractors who work on the subcontractor basis and carry out the work in the field.

Liquidity:

The liquidity position of KSW is adequate marked by net cash accruals of Rs. 3.92 crore as on 31st March, 2018, as against Rs. 2.60 crore in the previous year. The cash accruals are sufficient to pay off its annual debt obligation of Rs 1.08 crore over the medium term. The nature of operations of KSW is working capital intensive, characterized by gross current asset days (GCA) days of 150 as on 31st March'18. This intensifies moderate working capital requirements. The fund based limit utilization though stands comfortable at ~ 51 per cent for the 12 month ended December'18.

Outlook: Stable

Acuité believes KSW will maintain a stable business risk profile over the medium term. The firm will continue to benefit from experienced management. The outlook may be revised to "Positive" in case the firm registers strong growth in scale of operations while registering sustained improvement in profit margins and achieving efficient working capital management. The outlook may be revised to 'Negative' in case of deterioration in the firm's scale of operations and profitability or capital structure, or in case of lengthening of working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	48.05	37.95	59.52
EBITDA	Rs. Cr.	6.08	3.68	3.92
PAT	Rs. Cr.	2.76	1.97	2.31
EBITDA Margin	(%)	12.66	9.70	6.59
PAT Margin	(%)	5.74	5.20	3.87
ROCE	(%)	21.42	18.89	21.81
Total Debt/Tangible Net Worth	Times	0.31	0.29	0.27
PBDIT/Interest	Times	6.91	20.14	8.63
Total Debt/PBDIT	Times	0.99	1.18	0.80
Gross Current Assets (Days)	Days	150	157	62

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/view-rating-criteria-20.htm>
- Infrastructure Entities- <https://www.acuite.in/view-rating-criteria-14.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.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	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE BBB-/ Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	4.50	ACUITE A3 (Assigned)

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About Acuité Ratings & Research:

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