

Press Release

Kukreja Infrastructure Private Limited

June 17, 2019



Rating Assigned

Total Bank Facilities Rated*	Rs. 40.00 Cr.
Long Term Rating	ACUITE B/ Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B**' (**read as ACUITE B**) and short-term rating of '**ACUITE A4**' (**read as ACUITE A four**) to the Rs. 40.00 crore bank facilities of Kukreja Infrastructure Private Limited (KIPL). The outlook is '**Stable**'.

KIPL was incorporated in 2012 by Mr. Virendra G. Kukreja and Mr. Shravan G. Kukreja. KIPL undertakes civil construction sub-contracts for government projects such as Ropeway, Bridges, Dams, Roads and Tunnels.

Analytical Approach

Acuité has considered the standalone business and financial risk profile of KIPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

The Promoters of KIPL, Mr. Virendra Ghanshyam Kukreja and Mr. Shravan Ghanshyam Kukreja, hold experience of over a decade in the infrastructure industry. The experience enabled KIPL to establish relations with its customers and suppliers which has benefitted in terms of inflow of orders from the government.

- **Moderate financial risk profile**

KIPL is average marked by average net worth and moderate debt protection metrics. The net worth of KIPL stood at Rs.12.94 crore in FY2019 (Est.), which is inclusive of unsecured loans of Rs.5.94 crore treated as quasi-equity, as compared to net worth of Rs. 11.20 crore in FY2018. Total debt of Rs. 18.75 crore includes short term borrowing from bank of Rs. 13.89 crore and unsecured loans from promoter of Rs.4.67 crore. Gearing of the company stood stable at 1.43 times for FY2019 (Est.) as compared to 1.35 times in FY2018. Total Outside Liabilities to Total Net Worth (TOL/TNW) also stood stable at 1.50 times in FY2019 (Est.) as compared to 1.47 times in FY2018. Interest Coverage Ratio (ICR) improved to 2.13 times in FY2019 (Est.) as compared to 1.11 times in FY2018 on account of substantial improvement in scale of operations of the company which can also be seen in the improvement in net cash accruals of Rs. 1.77 crore for FY2019 (Est.) as compared to Rs. 0.26 crore in FY2018 on account of healthy inflow of orders in FY2019.

Weaknesses

- **Limited track record of operations**

KIPL commenced operations from FY2016 and hence has limited track record of operations. The scale of operations is currently modest with total operating income of Rs.28.70 crore and PAT of Rs.1.73 crore in FY2019 (Est.) as against operating income of Rs.2.05 crore and PAT of Rs. 0.20 crore in FY2018. Going forward, the ability of KIPL to improve its scale of operations, while maintaining working capital cycle and profitability profile, will be a factor of key rating sensitivity.

- **Competitive and fragmented industry**

KIPL is a civil contractor working on subcontracted government projects mainly for Nagpur Metro. KIPL operates in highly competitive industry due to presence of many organised and unorganised players. The company faces intense competition from the other players in the sector. Further, KIPL's performance is susceptible to cyclical in construction/infrastructure segment.

Liquidity Position: Adequate

KIPL has adequate liquidity marked by moderate net cash accruals to its maturing debt obligations. KIPL generated cash accruals of Rs. 0.06-1.77 crore during the last three years through 2017-18, while its maturing debt obligations were NIL over the same period. The cash accruals of KIPL are estimated to remain around Rs. 1.77 crore during 2019-21, while its repayment obligation is estimated to be nil. KIPL's operations are moderately working capital intensive as marked by gross current asset (GCA) days of 327 in FY 2019 (Est). This has led to higher reliance on working capital borrowings, the cash credit limit in KIPL remains utilised at ~95 percent during the last 3 months period ended May 2019. KIPL maintained unencumbered cash and bank balances of Rs. 0.07 crore as on March 31, 2019 (Est). The current ratio of KIPL stood moderate at 2.18 times as on March 31, 2019 (Est). Acuité believes that the liquidity of KIPL is likely to remain adequate over the medium term on account of growing cash accruals.

Outlook: Stable

Acuité believes that KIPL will maintain a 'Stable' outlook over the medium term from its management's industry experience. The outlook may be revised to 'Positive' in case of significant growth in its revenue while sustaining the profitability and liquidity. Conversely, the outlook may be revised to 'Negative' in case of lower than expected turnover or any stretch in its working capital operations leading to deterioration of its financial risk profile and liquidity.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17(Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	2.05	0.73	NA
EBITDA	Rs. Cr.	1.73	0.19	NA
PAT	Rs. Cr.	0.20	0.05	NA
EBITDA Margin	(%)	84.48	26.55	NA
PAT Margin	(%)	9.90	7.06	NA
ROCE	(%)	11.21	3.10	NA
Total Debt/Tangible Net Worth	Times	1.35	2.74	NA
PBDIT/Interest	Times	1.11	1.23	NA
Total Debt/PBDIT	Times	5.60	45.81	NA
Gross Current Assets (Days)	Days	3,218	7,978	NA

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-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)

Not Applicable

***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	15.00	ACUITE B/Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE A4 (Assigned)

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About Acuité Ratings & Research:

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