

Press Release

Khukhrain Builders

July 15, 2019



Rating Assigned

Total Bank Facilities Rated*	Rs.19.25 Cr.
Long Term Rating	ACUITE B+ / Outlook: Stable (Assigned)
Short Term Rating	ACUITE A4 (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B+**' (**read as ACUITE B plus**) and short term rating of '**ACUITE A4**' (**read as ACUITE A four**) on the Rs.19.25 crore bank facilities of KHUKHRAIN BUILDERS. The outlook is '**Stable**'.

Khukhrain Builders (KB), is a Delhi-based firm which was established in 1975 by Mr. Sunil Anand and his son Mr. Piyush Anand. The firm is engaged in civil construction business such as laying water and sewerage lines for various government departments. Further KB is registered as a Class-I contractor.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the KB to arrive at this rating

Key Rating Drivers

Strengths

- **Long operational track record and experienced management**

KB has established operational track record of almost four decades in the aforementioned line of business. The long experience of the partners, Mr. Sunil Anand and Mr. Piyush Anand, has helped the firm to establish comfortable relations with their customers as well as suppliers. Acuité believes that the firm will continue to benefit through the promoter's extensive industry experience over the medium term.

- **Strong Order Book Position**

The firm has a healthy order book position of Rs.287.22 crore as on 30th April, 2019 out of which Rs.228.00 crore worth of orders are unexecuted. Hence, the healthy order book provides modest revenue visibility for the firm over the medium term

Weaknesses

- **Working capital intensive operations**

KB has working capital intensive operations marked by Gross Current Assets (GCA) of 524 days in FY2018 as against 261 days in FY2017. The GCA days are mainly dominated by debtor of 174 days in FY2018 as against 56 days in FY2017, further the inventory days in FY2018 stood at 33 days as against 30 days for the previous year.

- **Below average financial risk profile**

The firm has below average financial risk profile marked by tangible net worth of Rs.8.98 crore as on 31 March 2018 as against Rs.5.96 crore in the previous year. Gearing (debt-equity) of the firm stood at 1.76 times as on 31 March 2018 as against 2.44 times as on 31 March 2017. Further the interest coverage ratio (ICR) stood at 1.58 times for FY2018 as against 2.34 times for FY2017. DSCR stood at 1.58 times for FY2018 as against 2.34 times in the previous year. Total outside liabilities to tangible net worth (TOL/TNW) stood at 2.96 times as on 31 March 2018 as against 3.45 times as on 31 March 2017.

Liquidity position

KB has stressed liquidity position marked by net cash accruals to its maturing debt obligation. The firm has generated net cash accruals of Rs.1.60 crore for the FY2018 with maturing debt obligation of Rs.2.02 for the same period. The firm maintains unencumbered cash and bank balances of Rs.1.73 crore as on 31 March 2018 as against Rs.0.80 crore as on 31st March 2017. The current ratio of the firm stood at 1.89 times as on March 31, 2018 and 1.49 time as on 31st March 2017. The operations of the group stood working capital intensive in nature marked by Gross Current Assets (GCA) of 524 days in FY2018 as against 261 days in FY2017.

Outlook: Stable

Acuité believes that KB will maintain a stable outlook in the medium term on account of its experienced promoters. The outlook may be revised to 'Positive' if the firm registers higher-than-expected growth in revenues and net cash accruals while maintaining healthy debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case the firm registers lower-than-expected growth in revenues and profitability or if the financial risk profile deteriorates due to higher than expected working capital requirements

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	20.64	27.81	26.33
EBITDA	Rs. Cr.	3.94	4.04	2.90
PAT	Rs. Cr.	0.99	1.71	1.37
EBITDA Margin	(%)	19.10	14.55	11.02
PAT Margin	(%)	4.81	6.14	5.21
ROCE	(%)	16.50	19.95	37.80
Total Debt/Tangible Net Worth	Times	1.76	2.44	1.71
PBDIT/Interest	Times	1.58	2.34	2.42
Total Debt/PBDIT	Times	3.64	3.60	2.88
Gross Current Assets (Days)	Days	524	261	270

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

CRISIL, vide its press release dated February 26, 2019 had denoted the rating of Khukhrain Builders as 'CRISIL B+/Stable/CRISIL A4 (ISSUER NOT COOPERATING)' on account of lack of adequate information required for monitoring of ratings.

Any other information

Not Applicable

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
Overdraft	Not Applicable	Not Applicable	Not Applicable	3.75	ACUITE B+ / Stable (Assigned)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	15.50	ACUITE A4 (Assigned)

Contacts

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in
Deepesh Pamnani Analyst - Rating Operations Tel: 011-49731315 deepesh.pamnani@acuiteratings.in	

About Acuité Ratings & Research:

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