

## Press Release

L B Kunjir

January 28, 2020



### Rating Assigned

<b>Total Bank Facilities Rated*</b>	Rs. 35.08 Cr.
<b>Long Term Rating</b>	ACUITE BBB/ Outlook: Stable
<b>Short Term Rating</b>	ACUITE A2

\* Refer Annexure for details

### Rating Rationale

Acuité has assigned the long-term rating of '**ACUITE BBB**' (**read as ACUITE triple B**) and short-term rating of '**ACUITE A2**' (**read as ACUITE A two**) to the Rs.35.08 crore bank facilities of L B KUNJIR (LBK). The outlook is '**Stable**'.

Established in 2002, L B Kunjir is a partnership firm engaged in civil construction and power generation business. The day to day operations are managed by its partners, Mr. Laxman B Kunjir, Mrs. Kusum L Kunjir and their son Mr. Amit L Kunjir. The firm is registered as class I-A contractor with P.W.D. (Govt. of Maharashtra). It undertakes irrigation development projects in various districts of Maharashtra like Jalgaon, Ahmednagar, Satara, Amravati, Washim, Akola, etc. It has earlier completed projects like earthen dams, canals and barrage projects, etc. The firm also has Six Wind turbines of Suzlon with installed capacity of 7.35 M.W. at locations like Baramsar (Rajasthan), Dhule, Nandurbar, Nashik, Sangli and also has generation of electricity through Solar, Photovoltaic Panels with installed capacity of 2.50 MW at location like Telangana, Dombivali (Rooftop Solar) & Ranjangaon (Rooftop Solar).

### Analytical Approach

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

### Key Rating Drivers

#### Strengths

##### • Long track record of operations and experienced management

LBK is carrying out civil construction business since 1986. The day to day operations are managed by its partners, Mr. Laxman B Kunjir, Mrs. Kusum L Kunjir and their son Mr. Amit L Kunjir. Management collectively has experience of over three decades in the civil construction industry. On the back of stable order in hand, the revenue of the firm have seen a compound annual growth rate (CAGR) of ~44.28 percent over the past three years through FY2019. The revenue stood at Rs.63.84 crore in FY2018 as against Rs.35.41 crore in the previous year. Further, the revenue grew by ~15.45 percent in FY2019 and stood at Rs.73.71 crore. The firm has healthy order book of Rs.586.74 crore out of which Rs.362.59 crore is already completed and Rs.224.15 crore is expected to be executed by FY2021-22.

Further, the operating margins stood healthy marked by 30.09 per cent in FY2019 as against 32.58 per cent in FY2018 and 40.71 per cent in FY2017. The operating margins from civil construction business is 23.06 per cent in FY2019 as against 25.99 per cent in FY2018 and operating margins from power generation business is 81.92 per cent in FY2019 as against 80.81 per cent in FY2018. Also, PAT margins stood healthy marked by 21.54 per cent in FY2019 as against 22.10 per cent in FY2018 and 22.86 per cent in FY2017.

Acuité believes that LBK will continue to benefit from its experienced management and established track record.

- **Moderate financial risk profile**

The financial risk profile of LBK is moderate marked by moderate net worth, healthy debt protection measures and low gearing. Net worth of the firm stood moderate at Rs.60.66 crore as on 31 March, 2019 as against Rs.55.84 crore in the previous year. The gearing (debt-equity) stood low at 0.46 times as on 31 March, 2019 as against 0.58 times as on 31 March, 2018. The total debt as on 31 March, 2019 of Rs.28.06 crore majorly comprises of term loan of Rs.8.20, unsecured loan from partner of Rs.7.55 crore and working capital facility of Rs.12.31 crore. Interest Coverage Ratio (ICR) improved to 7.34 times for FY2019 from 5.33 times for FY2018. Debt Servicing Coverage Ratio (DSCR) stood at 2.25 times for FY2019 as against 2.38 times for FY2018. Total outside Liabilities to Tangible Net Worth (TOL/TNW) improved to 0.40 times as on 31 March, 2019 from 0.67 times as on 31 March, 2018. Net cash accrual to total debt (NCA/TD) stood at 0.72 times for FY2019 as against 0.55 times for FY2018.

Acuité believes that the financial risk profile of the firm will continue to remain moderate over the medium term on account of its improving scale of operations and net cash accruals.

- **Moderate working capital operations**

LBK has moderate working capital operations marked by Gross Current Assets (GCA) days of 134 in FY2019 as against 172 FY2018. The inventory and debtor levels stood at 97 and 20 days in FY2019 as against 62 and 73 days in FY2018, respectively. However, the bank limits are 80 per cent utilized for the last six months ending November, 2019.

Acuité believes, going ahead, the ability of the firm to efficiently manage its working capital requirements will remain the key rating sensitivity.

### **Weaknesses**

- **Tender based business**

Major business is bagged through open tenders. Hence, the revenue earned is directly dependent upon the quantum of contracts bagged and executed during the year. Risk become more pronounced as tendering is based on minimum amount of bidding of contracts. The firm has to do tendering on competitive prices; this may affect the profitability of the firm. This has resulted in fluctuating operating profit margins.

### **Rating Sensitivity**

- Improvement in scale of operations along with profitability.
- Deterioration in working capital cycle.

### **Material Covenants**

None.

### **Liquidity Position: Adequate**

LBK has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The firm generated cash accruals of Rs.20.08 crore in FY2019 as against Rs.17.62 crore in FY2018 and Rs.11.71 crore in FY2017, while its maturing debt obligation was Rs.3.27 crore in FY2019, Rs.7.16 crore in FY2018 and Rs.5.03 crore in FY2017. The cash accruals of the firm are estimated to remain around Rs.24.00 to 36.00 crore during 2019-21. The firm's working capital operations are moderate as marked by gross current asset (GCA) days of 134 in FY2019. However, working capital borrowings are 80 per cent utilized during the last 6 months' period ended November, 2019. The firm maintains unencumbered cash and bank balances of Rs.0.09 crore as on March 31, 2019. The current ratio of the firm stands at 2.08 times as on March 31, 2019.

Acuité believes that the liquidity of the firm is likely to remain adequate over the medium term on account of healthy cash accrual.

### **Outlook: Stable**

Acuité believes that LBK will maintain a 'Stable' outlook over the medium term from the industry experience of its promoters. The outlook may be revised to 'Positive' if there is substantial and sustained improvement in LBK's operating income or profitability, while maintaining its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of weakening of its capital structure and debt protection metrics.

### About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	73.71	63.84
PAT	Rs. Cr.	15.87	14.11
PAT Margin	(%)	21.54	22.10
Total Debt/Tangible Net Worth	Times	0.30	0.58
PBDIT/Interest	Times	7.34	5.33

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

None.

### 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-51.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 BBB/Stable
Term Loan	Not Applicable	Not Applicable	Not Applicable	3.08	ACUITE BBB/Stable
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	17.00	ACUITE A2

### Contacts

Analytical	Rating Desk
Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 <a href="mailto:aditya.gupta@acuite.in">aditya.gupta@acuite.in</a>	Varsha Bist Manager - Rating Desk Tel: 022-49294011 <a href="mailto:rating.desk@acuite.in">rating.desk@acuite.in</a>
Saurabh Rane Analyst - Rating Operations Tel: 02249294034 <a href="mailto:saurabh.rane@acuite.in">saurabh.rane@acuite.in</a>	

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