



Press Release
L B Kunjir
September 25, 2023
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	19.57	ACUITE BBB Stable Reaffirmed	-
Bank Loan Ratings	15.51	-	ACUITE A2 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	35.08	-	-

Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) and short term rating of '**ACUITE A2**' (read as **ACUITE A two**) on the Rs.35.08 crore bank facilities of L B Kunjir (LBK). The outlook is '**Stable**'.

Rationale for the rating

The rating reaffirmation takes into account the stable operating and financial performance of the firm marked by improved operating income. The revenues of the firm stood at Rs. 111.23 crore for FY2023 (Prov) (Rs. 104.96 Cr. from the construction segment and Rs. 6.26 Cr. from the power segment) as against Rs. 68.74 crore in FY2022. As on April, 2023, the unexecuted order book stood at Rs. 240.24 crore, out of which Rs. 92 crore worth of order is long pending execution. Timely execution of the quoted order will remain a key rating monitorable. Further, the rating continues to draw comfort from the firm's experienced management, established track record of operations and adequate liquidity position. The rating is however constrained by the firm's moderation in profitability margins, elongation in working capital cycle, tender based business, risk of capital withdrawal and presence in a highly competitive industry.

About the Company

Established in 2002, L B Kunjir is a partnership firm engaged in undertaking civil construction projects mainly related to irrigation like earthen dams, canals and barrage etc. The firm is registered as class I-A contractor with P.W.D. (Govt. of Maharashtra). The day to day operations of the firm are managed by its partners, Mr. Laxman B Kunjir, Mrs. Kusum L Kunjir and their son Mr. Amit L Kunjir. LBK is also engaged in both wind power generation and solar power generation. It has six wind turbines of Suzlon with an installed capacity of 7.35 M.W. each and photovoltaic panels with an installed capacity of 2.50 MW (for solar power generation) at various locations in Rajasthan and Maharashtra.

Analytical Approach

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

Key Rating Drivers

Strengths

Long track record of operations and experienced management

Established in 2002, LBK is promoted by Mr. Laxman B Kunjir, Mrs. Kusum L Kunjir and their son Mr. Amit L Kunjir. All three partners are involved in day to day operations of the business. The management is supported by a well-qualified and experienced team of professionals. The

management collectively have experience of over three decades in the infrastructure industry. The extensive experience of the partners in the industry has helped the firm build its market presence. The firm has a un-executed order book of approx. Rs. 240.24 crore as on April 2023.

Acuité believes that LBK will continue to benefit from its experienced management and established track record of operations over the medium term.

Moderate Financial risk profile

The financial risk profile of the firm stood moderate marked by moderate net worth, moderate gearing and above average debt protection metrics. The tangible net worth stood at Rs.62.33 crore as on 31 March 2023 (Prov) as against Rs.54.26 crore as on 31 March, 2022. The total debt of the firm for FY2023 (Prov) stood at Rs.68.24 crore includes Rs.30.15 crore of long-term debt, Rs.22.09 crore of short term debt, Rs.2.75 crore of unsecured loans and Rs.13.25 crore of CPLTD as on 31 March, 2023. The gearing (debt-equity) stood at 1.09 times as on 31 March, 2023 (Prov) as against 0.93 times as on 31 March, 2022. Interest Coverage Ratio stood at 4.24 times for FY2023 (Prov) as against 5.10 times for FY2022. Debt Service Coverage Ratio (DSCR) stood at 1.71 times in FY2023 (Prov) as against 1.29 times in FY2022. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 1.28 times as on 31 March, 2023 (Prov) as against 0.97 times as on 31 March, 2022. Net Cash Accruals to Total Debt (NCA/TD) stood at 0.35 times for FY2023 (Prov) as against 0.33 times for FY2022.

Acuité expects LBK's financial risk profile to improve over the medium term in absence of any major debt funded capex planned.

Increase in revenue, albeit moderation in profitability margins

The firm reported an increase in its revenues of Rs. 111.23 crore for FY2023 (Prov) (Rs. 104.96 Cr. from the construction segment and Rs. 6.26 Cr. from the power segment) as against Rs. 68.74 crore in FY2022.

The operating margin of the firm stood at 27.47 percent in FY2023 (Prov) as against 29.47 percent in FY2022 as the margins of the firm varies with the different project's execution. On the other hand, the net profit margin of the firm stood at 13.24 percent in FY2023 (Prov) as against 15.98 percent in FY2022.

Further, the unexecuted order book of Rs. 240.24 crore available with the firm as of April 2023, is expected to be executed over the next two to three years, which provides adequate revenue visibility over the medium term. However, in the above orderbook Rs. 92 crore worth of order is long pending execution. Timely execution of the quoted order will remain a key rating monitorable.

Acuité believes that LBK's ability to maintain its scale of operations in view of its unexecuted order book while improving its profitability margins will remain a key rating sensitivity factor.

Weaknesses

Elongation of Working Capital Cycle

The working capital management of the firm is intensive marked by GCA days of 239 days in FY2023 (Prov) as against 273 days in FY2022. The debtor days stood at 120 days in FY2023 (Prov) as against 114 days in FY2022. The average credit period allowed to customers is of 60 days. The reason for high debtors is because the firm follows the policy of sending the draft bill first to the government and once the government finalizes the bill, the firm sends the final bill to the government. Also, most of the company billings happen in the end of the month of March and the payment period mostly comes in April. The creditor days stood at 111 days in FY2023 (Prov) as against 35 days in FY2022. The average credit period allowed by suppliers is 45-60 days. The inventory holding period of the company stood at 45 days in FY2023 (Prov) as against 108 days in FY2022.

Acuite believes LBK's ability to restrict further elongation in its working capital cycle will be a key rating sensitivity.

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.

Inherent risk of capital withdrawal in a partnership firm

The Firm is susceptible to the inherent risk of capital withdrawal given its constitution as a partnership. Any significant withdrawal from the partner's capital will have a negative bearing on the financial risk profile of the firm.

Rating Sensitivities

- Improvement in scale of operations and profitability while maintaining the capital structure.
- Ability to reduce elongation in working capital cycle will be key a monitorable.

All Covenants

Not Available

Liquidity Position

Adequate

The firm's liquidity position is adequate marked by sufficient net cash accruals against its maturing debt obligations. The firm has net cash accruals in the range of Rs.14.14-Rs.24.03 Crore from FY 2021- 2023rc (Prov) against its maturing debt obligations in the range of Rs.11.00-Rs.13.25 crore in the same tenure. In addition, it is expected to generate a sufficient cash accrual in the range of Rs.30.12-Rs.36.80 crore against the maturing repayment obligations of around Rs.12.24-Rs.14.00 crore over the medium term. The working capital management of the firm is intensive marked by GCA days of 239 days in FY2023 (Prov) as against 273 days in FY2022. The firm maintains unencumbered cash and bank balances of Rs.1.47 crore as on March 31, 2023 (Prov). The current ratio stands at 2.17 times as on March 31, 2023 (Prov) as against 2.39 times as on March 31, 2022. The average bank limit utilization for the past 08 months ending August 2023 is ~90% of the sanctioned amount. The average BG utilization for the past 08 months ending August 2023 is ~68 percent of the sanctioned amount.

Acuité expects LBK's liquidity profile to remain adequate on account of comfortable cash accruals against repayment obligations constrained to some extent by working capital intensive nature of operations of LBK.

Outlook: Stable

Acuité believes that LBK will maintain a stable outlook over medium term on account of extensive experience of its promoters and moderate financial risk profile . The outlook may be revised to 'Positive' in case the firm achieves higher than expected improvement in its scale of operations and profitability while maintaining its capital structure. Conversely, the outlook may be revised to 'Negative' in case of substantial reduction in its scale of operations, sharp decline in its operating margins and deterioration in working capital management adversely affecting its liquidity position.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	111.23	68.74
PAT	Rs. Cr.	14.73	10.98
PAT Margin	(%)	13.24	15.98
Total Debt/Tangible Net Worth	Times	1.09	0.93
PBDIT/Interest	Times	4.24	5.10

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

CARE vide its press release dated 7th Sep 2023, had rated the company to CARE B/stable/A4; Issuer not cooperating

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, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite'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
22 Jul 2022	Cash Credit	Long Term	15.00	ACUITE BBB Stable (Downgraded from ACUITE BBB+ Stable)
	Bank Guarantee	Short Term	17.00	ACUITE A2 (Downgraded from ACUITE A2+)
	Proposed Bank Facility	Long Term	0.51	ACUITE BBB Stable (Downgraded from ACUITE BBB+ Stable)
	Term Loan	Long Term	2.57	ACUITE BBB Stable (Downgraded from ACUITE BBB+ Stable)
10 Mar 2021	Proposed Bank Facility	Long Term	0.51	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
	Bank Guarantee	Short Term	17.00	ACUITE A2+ (Upgraded from ACUITE A2)
	Cash Credit	Long Term	15.00	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
	Term Loan	Long Term	2.57	ACUITE BBB+ Stable (Upgraded from ACUITE BBB Stable)
28 Jan 2020	Cash Credit	Long Term	15.00	ACUITE BBB Stable (Assigned)
	Bank Guarantee	Short Term	17.00	ACUITE A2 (Assigned)
	Term Loan	Long Term	3.08	ACUITE BBB Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Union Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	15.51	ACUITE A2 Reaffirmed
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	19.00	ACUITE BBB Stable Reaffirmed
Union Bank of India	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.57	ACUITE BBB Stable 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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