



**Press Release**  
**Krans Projects Private Limited**  
**July 29, 2024**  
**Rating Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	5.00	ACUITE BB+   Stable   Reaffirmed	-
Bank Loan Ratings	30.00	-	ACUITE A4+   Reaffirmed
<b>Total Outstanding Quantum (Rs. Cr)</b>	35.00	-	-

**Rating Rationale**

Acuite has reaffirmed its long-term rating to '**ACUITE BB+**' (read as **ACUITE double B plus**) and also reaffirmed the short-term rating to '**ACUITE A4+**' (read as **ACUITE A Four plus**) on the Rs.35.00 crore bank facilities of Krans Projects Private Limited (KPPL). The outlook is '**Stable**'.

**Rationale for Rating**

The rating reflects benefits derived from KPPL's experienced management and established relationship and reputed clientele. The value of orders in hand comprises of Rs. 590.92 Cr. as on March 31, 2024, out of which unexecuted order are of Rs. 491.00 Cr. The OB/OI is 4.85 times (Rs. 491.00 Cr./Rs. 101.07 Cr.). The scale of operation had witnessed a strengthening in FY2024(Prov.) with revenues at Rs.101.07 crore in FY2024 (Provisional) as compared to revenues of Rs. 47.20 crore in FY2023 and Rs. 68.43 crore in FY2022. The rating also factors in the slightly improving operating margin of the company stood at 1.26 per cent in FY2024 (Prov.) as compared to – (0.27) per cent in FY2023 and 7.12 per cent in FY2022. The operating margins remains lower than other players in the industry largely because the company sub-contracts a large part of its work orders resulting in nominal profit margins. The profitability margin depends on the company's selection of projects being bid and it undertook low margin projects in the past. The PAT margins stood at 2.64 per cent as on FY2024 (Prov.) as against 3.78 per cent as on FY2023. The company's financial risk profile is marked by moderate and slightly improving net worth, comfortable gearing and healthy debt protection metrics. The adequate liquidity of the company is reflected by the net cash accruals at Rs.3.02 Cr. in FY2024 (Prov.) as against Nil debt repayment, absence of debt funded capex plans and moderate bank limit utilization. However, the rating is constrained by the presence of being in a competitive and fragmented construction industry.

### **About the Company**

Incorporated in the year 2008, Krans Projects Private Limited (KPPL) is engaged primarily in execution of construction projects such as earthwork embankments and building bridges. Their major customers include South Central Railway, Southwestern Railway, Government of Andhra Pradesh, Government of Telangana, Singareni Collieries Company Limited, RITES Limited (Rail India Technical and Economic Service), Rail Vikas Nigam Limited, etc KPPL was established as a Sole Proprietorship firm in 1984 and projects were executed in the name of Mr. K Ranga Rao. Later it was reconstituted as a private limited company in 2008. The company was founded by Mr. K. Ranga Rao. He investigates day-to-day operations along with Mr Ravi Chand and Mrs. Shri Lakshmi.

### **Unsupported Rating**

Not Applicable

## Analytical Approach

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

## Key Rating Drivers

### Strengths

#### **Experienced management and established track record of operations**

The company has a long track record of over three decades of experience in the civil construction business with an established record of project execution related to earthwork embankment and building bridges. KPPL business risk profile is supported by director's extensive industry experience. It executes orders for South Central Railway, Southwestern Railway, BHEL Limited, RITES. The unexecuted order book of the company was at Rs.491.00 Cr. as on March 31, 2024. The OB/OI of the company as at 4.85 times.

#### **Healthy financial risk profile**

The company's financial risk profile is marked by improving net worth, comfortable gearing and debt protection metrics. The tangible net worth of the company increased to Rs.38.67 crore in FY2024 (Prov.) from Rs.36.00 crore in FY2023 due to small accretion to reserves. Gearing of the company stood below unity at 0.10 times in FY2024 (Prov.) as against 0.08 times in FY2023 as compared to 0.19 as on FY2022. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 0.32 times in FY2024 (Prov.) as against 0.26 times in FY2023 and 0.44 times in FY2022. The interest coverage ratio of the company stood at 5.56 times in FY2024 (Prov.) as against 6.11 times in FY2023 and 8.67 times in FY2022 and Debt Service Coverage Ratio stood at 5.56 times in FY2024 (Prov.) as against 4.96 times in FY2023 and 6.72 times in FY2022. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.75 times in FY2024 (Prov.) as against 0.88 times in FY2023 and 0.45 times in FY2022. Acuité believes that going forward the financial risk profile of the company will remain healthy with no major debt funded capex plans.

#### **Moderate Working Capital requirements**

The working capital requirements of the company is moderate marked by Gross Current Assets (GCA) of 103 days as on FY2024 (Prov.) as compared to 191 days as on FY2023 similar as against 89 days as on FY2022. The inventory days stood at 73 days in FY2024 (Prov.) as compared to 109 days in FY2023 as against 47 days in FY2022. The Company does not have any debtors on year end due to realisations towards year end. Going forward, Acuité believes that the working capital operations of the company will remain almost at similar levels over the medium term.

### Weaknesses

#### **Competitive and fragmented industry**

The company is engaged as a civil contractor. The particular sector is marked by the presence of several mid to big size players. The company faces competition from the other players in the sectors. Risk becomes more pronounced as tendering is based on a minimum amount of bidding of contracts. However, this risk is mitigated to an extent as Mr. K Ranga Rao has been operating in this environment for the last 3 decades.

#### **Tender based nature of operations**

KPPL participates in tenders with respect to works related to South Central Railway, Southwestern Railway. Once the tender is allocated 5 percent of the performance guarantee. After raising the bills, the company receives the payment in a week. Since the nature of operations is tender based, the business depends on the ability to bid for contracts successfully. KPPL's revenue and profitability are susceptible to risks inherent in contract-based operations. Also, Tender based operations limit pricing flexibility in an intensely competitive industry.

## Rating Sensitivities

- Scaling up of operations while improving their profitability margin
- Execution of order book in timely manner
- Elongation of working capital cycle

### **Liquidity Position**

#### **Adequate**

The liquidity of the company is adequate as reflected by the net cash accruals at Rs.3.02 Cr. in FY2024 (Prov.) as against Nil. debt repayment. The fund-based limit of Rs 5 Cr. remained utilized at ~71 per cent over the six months ended May 2024, and the Non- fund-based of Rs.17.00 Cr. remained utilized at 41 per cent over the six months ended May, 2024. The cash and bank balances of the company stood at Rs 0.31 Cr in FY2024(Prov.) as against Rs.0.05 Cr. in FY23 and Rs 0.18 Cr. in FY2022. The current ratio stood comfortable at 3.12 times as on March 31, 2023. Moreover, the company's working capital management is efficient marked by low inventory holdings and efficient collection mechanism. Acuité believes that going forward the company will maintain adequate liquidity position due to constant increase in accruals and no major debt funded capex plans.

### **Outlook: Stable**

Acuité believes that KPPL will continue to benefit over the medium term due to its experienced management and healthy order book providing revenue visibility. The outlook may be revised to 'Positive', in case of timely execution of its unexecuted order book leading to higher-than-expected revenues and along with improvement in profitability. Conversely, the outlook may be revised to 'Negative' in case KPPL registers lower-than-expected revenues and profitability or any significant stretch in its working capital management leading to the deterioration of its financial risk profile and liquidity.

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	101.07	47.20
PAT	Rs. Cr.	2.67	1.78
PAT Margin	(%)	2.64	3.78
Total Debt/Tangible Net Worth	Times	0.10	0.08
PBDIT/Interest	Times	5.56	6.11

### 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-52.htm>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.htm>
- Complexity Level Of Financial Instruments: <https://www.acuite.in/view-rating-criteria-55.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](http://www.acuite.in)

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
05 Oct 2023	Cash Credit	Long Term	6.50	ACUITE BB+ (Reaffirmed & Issuer not co-operating*)
	Bank Guarantee (BLR)	Short Term	15.00	ACUITE A4+ (Reaffirmed & Issuer not co-operating*)
	Proposed Short Term Bank Facility	Short Term	13.50	ACUITE A4+ (Reaffirmed & Issuer not co-operating*)
07 Jul 2022	Bank Guarantee (BLR)	Short Term	15.00	ACUITE A4+ (Downgraded & Issuer not co-operating* from ACUITE A3)
	Proposed Short Term Bank Facility	Short Term	13.50	ACUITE A4+ (Downgraded & Issuer not co-operating* from ACUITE A3)
	Cash Credit	Long Term	6.50	ACUITE BB+ (Downgraded & Issuer not co-operating* from ACUITE BBB-   Stable)
28 Apr 2021	Cash Credit	Long Term	6.50	ACUITE BBB-   Stable (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	15.00	ACUITE A3 (Reaffirmed)
	Proposed Short Term Bank Facility	Short Term	13.50	ACUITE A3 (Reaffirmed)
15 Apr 2021	Bank Guarantee (BLR)	Short Term	15.00	ACUITE A3 (Upgraded from ACUITE A4+)
	Proposed Short Term Bank Facility	Short Term	8.50	ACUITE A3 (Upgraded from ACUITE A4+)
	Cash Credit	Long Term	6.50	ACUITE BBB-   Stable (Upgraded from ACUITE BB+   Stable)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	17.00	ACUITE A4+   Reaffirmed
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	ACUITE BB+   Stable   Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Short Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	13.00	ACUITE A4+   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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