

## Press Release

### KSR Infracon Private Limited

August 10, 2020



#### Rating Assigned

|                                     |                              |
|-------------------------------------|------------------------------|
| <b>Total Bank Facilities Rated*</b> | Rs.55.00 Cr.                 |
| <b>Long Term Rating</b>             | ACUITE BB+ / Outlook: Stable |
| <b>Short Term Rating</b>            | ACUITE A4+                   |

\* Refer Annexure for details

#### Rating Rationale

Acuité has assigned the long-term rating of '**ACUITE BB+**' (**read as ACUITE double B plus**) and the short term rating of '**ACUITE A4+**' (**read as ACUITE A four plus**) on the Rs.55.00 Cr. bank facilities of KSR Infracon Private Limited (KSRIPL). The outlook is '**Stable**'.

KSR Infracon Private Limited (KSRIPL) was incorporated by Mr. K. Venkateswara Rao in 2004, it undertakes projects in areas like overburden removal and heavy earth excavation, infrastructure creation for Hydel Power Projects and other civil contracts.

The company is a part of KSR Group based in Hyderabad with interests in support services to infrastructure projects in general and power projects in particular, material handling contracts, equipment hiring for project implementation, and mining, excavation, processing of colour granites and monuments & memorials.

#### Analytical Approach

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

#### Key Rating Drivers

##### Strengths

- **Experienced management and reputed clientele**

KSRIPL was incorporated by Mr. K. Venkateswara Rao in 2004 who has nearly two decades of experience in undertaking civil construction works. The company has executed projects for companies like Gammon India Limited, NTPC Limited, Himachal State Electricity Board, Italian-Thai Development Company, Baes Valley Power Corporation Limited, Hindustan Construction Company Limited, Madhucon Projects Limited to name a few.

Acuité believes that the company will continue to benefit from promoter's experience in the industry and its established market presence over the medium term.

- **Moderate financial risk profile**

KSRIPL has moderate financial risk profile marked by tangible net worth of Rs.35.53 crore as on March 31, 2020 (Provisional) against Rs.33.31 crore as on March 31, 2019. The total debt stood at Rs.26.91 crore as on March 31, 2020 (Provisional) includes Rs.7.32 crore of term loans, Rs.8.14 crore of working capital loans and Rs.11.46 crore of loans from directors and promoters. The gearing stood at 0.76 times as on March 31, 2020 (Provisional) against 0.80 times as on March 31, 2019. The Interest Coverage Ratio (ICR) stood at 5.19 times in FY2020 (Provisional) improving from 3.32 times in FY2019. The TOL/TNW stood at 1.06 times as on March 31, 2020 (Provisional) against 1.14 times as on March 31, 2019.

Acuité believes that the financial risk profile of the company can improve in the near term in the absence of any major debt-funded capex.

##### Weaknesses

- **Working capital intensive nature of operations**

KSRIPL's operations are working capital intensive in nature as reflected by its GCA Days 212 days as on March 31, 2020 (Provisional) which has increased from 191 days as on March 31, 2019. The GCA is mainly

dominated by debtor days of 86 days as on March 31, 2020 (Provisional) which has increased from 67 days as on March 31, 2019 due to increase in the backlog of projects, delays in repayment from the government. The company also has higher reliance on working capital limits which were utilized at an average of ~99 percent for the past 9 months ended May 2020.

Acuité believes that efficient working capital management will be crucial to the company in order to maintain a stable credit profile.

**• Modest scale of operations with a concentrated order book and customer profile**

KSRIPL has modest scale of operations with the revenue of Rs.79.77 crore in FY2020 (Provisional) as against Rs.81.18 crore in FY2019. This was mainly due to stagnancy in revenue and operating margins over the past few years, mainly on account of slower execution of orders. The company has an order book of Rs.746.16 crore but is concentrated with reliance on few orders for gross billing and a large-sized order of Rs.680.30 crore from Madhucon projects Ltd. of which Rs.637.89 crore is pending execution for the past few years. Acuité believes that clearing of a backlog of orders, improvement in geographic and customer profile diversification is key in achieving growth.

**• Exposure to intense competition**

The company experiences intense competition in the construction industry, which has several players with a considerable track record that restricts scalability and pricing flexibility.

**Liquidity position: Stretched**

Acuité believes that KSRIPL's liquidity is expected to be stretched in the near term marked by limited utilization of non-fund based limits, near 100 percent utilization of fund-based working capital limits, high retention money parked for the projects and cash flow mismatches that have led to increasing reliance on financial support from promoters and directors over the past few years. The net cash accruals are expected to be ~Rs.7.21 crore in FY2021 while maturing debt obligations are expected to be ~Rs.5.22 crore during the same period. This gives less financial flexibility to the company to invest in its operations. The current ratio stood at 2.00 times as on March 31, 2020 (Provisional).

**Rating Sensitivities**

- Timely completion of Projects.
- Improvement, sustainability and healthy growth of revenues & profitability margins.
- Deterioration in the working capital cycle leading to stress on the liquidity position.

**Material Covenants**

None

**Outlook: Stable**

Acuité believes that KSRIPL will maintain 'Stable' outlook over the medium owing to its established relations with its customers. The outlook may be revised to 'Positive', if the company demonstrates substantial and sustained growth in its revenues via timely realization of receivables, and operating margins via efficient execution of the projects improving its financial risk profile. Conversely, the outlook may be revised to 'Negative', if the company's generates lower-than-anticipated cash accruals, as a result of delays in execution of projects, or sharp decline in operating margins, or further stretch in its working capital cycle, thereby impacting its financial risk profile, particularly its liquidity.

**About the Rated Entity - Key Financials**

|                               | Unit    | FY20 (Provisional) | FY19 (Actual) |
|-------------------------------|---------|--------------------|---------------|
| Operating Income              | Rs. Cr. | 79.77              | 81.18         |
| PAT                           | Rs. Cr. | 2.22               | 1.78          |
| PAT Margin                    | (%)     | 2.78               | 2.19          |
| Total Debt/Tangible Net Worth | Times   | 0.76               | 0.80          |
| PBDIT/Interest                | Times   | 5.19               | 3.32          |

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

CRISIL vide its press release dated March 30, 2020 has classified the rating of KSR Infracon Private Limited to 'CRISIL BB/Stable/A4+ Issuer not cooperating (Withdrawn)' based on the best-available information. Also, CARE vide its press release dated August 16, 2019 has classified the rating of KSR Infracon Private Limited to 'CARE BB/Stable/A4 Issuer not cooperating' based on best-available information.

### Any other information

None

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-51.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.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. Crore) | Ratings/Outlook     |
|------------------------|------------------|----------------|----------------|-------------------------------|---------------------|
| Cash Credit            | Not Applicable   | Not Applicable | Not Applicable | 7.50                          | ACUITE BB+ / Stable |
| Bank Guarantee         | Not Applicable   | Not Applicable | Not Applicable | 40.00                         | ACUITE A4+          |
| Proposed Bank Facility | Not Applicable   | Not Applicable | Not Applicable | 7.50                          | ACUITE A4+          |

### Contacts

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### About Acuité Ratings & Research:

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