

## Press Release

KSR Infracon Private Limited

September 08, 2022



### Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	2.25	ACUITE BB+   Stable   Assigned	-
Bank Loan Ratings	37.75	-	ACUITE A4+   Assigned
Bank Loan Ratings	47.50	-	ACUITE A4+   Reaffirmed
Bank Loan Ratings	7.50	ACUITE BB+   Stable   Reaffirmed	-
<b>Total Outstanding Quantum (Rs. Cr)</b>	95.00	-	-
<b>Total Withdrawn Quantum (Rs. Cr)</b>	0.00	-	-

### Rating Rationale

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

Acuite has assigned the long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) and short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) to the Rs. 40.00 Cr bank facilities of KSR Infracon Private Limited (KSRIPL). The outlook is '**Stable**'.

### Rationale for reaffirmation

The rating reaffirmation takes into account the healthy size of order book, moderate financial risk profile and adequate liquidity position of the company. For the current year the unexecuted order book position stands at Rs. 909.64 Cr which is to be executed in the next 36-38 months which provides adequate revenue visibility in the medium term. Financial risk profile of the company is moderate marked by moderate net worth, gearing and debt protection metrics. Liquidity in terms of net cash accruals and maturing debt obligations is adequate. However, the rating is constrained by order book execution risk as any delay in execution could hinder the revenue visibility. Company's operations have become working capital intensive due to stretch in receivables period which has put strain on working capital requirements leading to high bank limit utilization. Going forward pace of execution of orders and the working capital management will remain key rating sensitivities.

### About the Company

Hyderabad based, KSR Infracon Private Limited (KSRIPL) was incorporated in 2004, by Mr. K. Venkateswara Rao. KSRIPL engaged in 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, Hot slag handling & recovery of scrap from slag, material handling contracts, equipment hiring for project implementation, mining, excavation, processing of monuments & memorials.

## **Analytical Approach**

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

## **Key Rating Drivers**

### **Strengths**

#### **Experienced management and established relationships with its key principals**

Mr. Koneru Venkateswara Rao (Managing Director), Mr. Koneru Tirumala Rao, Koneru Srinivas Rao are the directors of the company and actively involved in the day to day operations. All the directors are having an experience of over a decade in executing civil construction works. With promoter's extensive industry experience supported by experienced management and timely execution of projects helped the company to establish long-standing relationship with its stakeholders repeated business. As of August 30, 2022, KSRIPL has an unexecuted order book position of Rs. 909.64 Cr; the same is estimated to be executed over the next 36-38 months which provides adequate revenue visibility over the medium term. Going ahead, similar growth trajectory is likely to continue over the medium term too. Acuité believes that the company will continue to benefit from promoter's experience in the industry and its established market presence will support KSRIPL's business profile over the medium term.

### **Moderate financial risk profile**

The KSRIPL's financial profile is moderate marked by moderate net worth, moderate gearing (debt-to-equity), and moderate total outside liabilities to total net worth (TOL/TNW) and debt protection metrics. KSRIPL's net worth is moderate at Rs. 41.72 Cr as on March 31, 2022 (Provisional) as compared to Rs. 38.31 as on March 31, 2021. Gearing is moderate at 0.83 times as on March 31, 2022 (Provisional) as against 0.80 times as on March 31, 2021. Total debt of Rs. 34.79 Cr consists of Rs. 10.31 Cr of long term debt, Rs. 14.96 Cr of unsecured loans, Rs. 7.51 Cr of short term debt and Rs. 2.01 Cr of CPLTD. TOL/TNW is moderate at 1.40 times as on March 31, 2022 vis-à-vis 1.70 times as on March 31, 2021. Its debt protection metrics are marked by interest coverage ratio (ICR) and net cash accruals to total debt (NCA/TD) at 2.57 times and 0.18 times in FY2022 (Provisional) vis-à-vis 2.61 times and 0.20 times in FY2021, respectively. The company has plans of debt funded capex wherein the company has already on boarded Rs. 5.50 Cr of equipment finance loan and executing capex of Rs. 8 Cr in the current years by managing the rest of the funds from internal resources. The company also plans to increase its working capital limits in the near future. Despite the enhancement in facilities and debt funded capex plan, the financial risk profile is expected to remain moderate in the coming times.

### **Weaknesses**

#### **Working capital-intensive operations**

KSRIPL's working capital cycle is high marked by high gross current assets (GCA) days in the range of 150-268 days over the last 3 years ended March 31, 2022 (Provisional). The GCA days are marked by high debtor days and moderate inventory days. The inventory days were in the range of 20-5 days and debtor days in the range of 90-202 days, respectively, over the past 3 years ended with March 31, 2022. Inventory majorly consists of diesel used for machineries and other raw materials which are procured locally. Debtor days have stretched in the last two years' due delay in receivables majorly from Madhucon Projects Limited. Since there is delay in project execution and also the government departments are delaying payments to Madhucon hence the stretch. Debtor days are expected to come in control in the coming times since now the orders are directly from government departments with payment cycle of 30-45 days after raising of bills. Its creditor days ranged between 48-127 days over the past 3 years ended with March 31, 2022 (Provisional). High GCA cycle led to high utilization of 95.97 percent of bank lines of Rs.7.50 Cr over the past 13 months ending July,

2022.

### Order Book Execution Risk

Although the company has strong order book position with unexecuted orders of around Rs. 909.64 which is to be completed in the next 36-38 months and bid pipeline of more than Rs. 670 Cr, there is a concern regarding the pace of execution of projects as there were instances of delays in the project works in the past and the pace of execution of fresh orders will be a key factor going forward.

### Rating Sensitivities

- Sustained increase in order inflow, providing adequate revenue visibility for the medium term
- Significant improvement in scale of operations while maintaining profitability margins
- Further stretch in the working capital cycle leading to increase in working capital borrowing and weakening of financial risk profile and liquidity.
- Timely execution of its order book

### Material covenants

None.

### Liquidity Position

#### Adequate

Company's liquidity position is adequate when comparing its net cash accruals against its maturing debt obligations. The company has generated cash accruals of Rs. 6.32 Cr in FY 2022 against CPLTD of Rs. 2.01 Cr. Going forward the company is expected to generate NCA of Rs. 14.60 Cr and Rs. 18.99 Cr in FY 2023 and 2024 against CPLTD of Rs. 3.35 Cr and Rs. 3.50 Cr in each respective year. Bank limit utilization stood high at 95.97% and the company has maintained cash and bank position of Rs. 6.92 Cr in FY 2022. Majority of the amount in cash balance includes the fund from equipment finance loan which the company has parked in current account for the time being and expects to use it for capex. Investment of Rs. 11.03 Cr in FY 2022 includes investment of Rs. 5.00 Cr in equity of group concern KSR Marine Services Private Limited and the remaining amount is the fixed deposits that the company has pledged as margin money for Bank Guarantees.

### Outlook: Stable

Acuite believes that KSRIPL will maintain a Stable Outlook and will continue to benefit over the medium term due to its experienced management, moderate revenue visibility. The outlook may be revised to 'Positive', if the company demonstrates substantial and sustained growth in its revenues from the current levels while improving its profitability and capital structure. Conversely, the outlook may be revised to 'Negative' in case of any sharp decline in its revenues or significant volatility in its profitability or any significant stretch in its working capital management leading to deterioration in the financial risk profile or further stretch in its liquidity position or substantial increase in receivable collection period.

### Other Factors affecting Rating

None

### Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	88.06	81.59
PAT	Rs. Cr.	3.41	2.78
PAT Margin	(%)	3.87	3.40
Total Debt/Tangible Net Worth	Times	0.83	0.80
PBDIT/Interest	Times	2.57	2.61

**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>
- Application Of 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**

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
21 Oct 2021	Proposed Bank Facility	Short Term	12.50	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	7.50	ACUITE BB+   Stable (Reaffirmed)
	Bank Guarantee	Short Term	35.00	ACUITE A4+ (Reaffirmed)
10 Aug 2020	Proposed Bank Facility	Short Term	7.50	ACUITE A4+ (Assigned)
	Cash Credit	Long Term	7.50	ACUITE BB+   Stable (Assigned)
	Bank Guarantee	Short Term	40.00	ACUITE A4+ (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	35.00	ACUITE A4+   Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.50	ACUITE BB+   Stable   Reaffirmed
Not Applicable	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	12.50	ACUITE A4+   Reaffirmed
Not Applicable	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	37.75	ACUITE A4+   Assigned
State Bank of India	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	2.25	ACUITE BB+   Stable   Assigned

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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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