



Press Release
KSR Infracon Private Limited
December 07, 2023

Rating Reaffirmed and Issuer not co-operating

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	9.75	ACUITE BB+ Reaffirmed Issuer not co-operating*	-
Bank Loan Ratings	85.25	-	ACUITE A4+ Reaffirmed Issuer not co-operating*
Total Outstanding Quantum (Rs. Cr)	95.00	-	-

Rating Rationale

Acuite has reaffirmed 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**) on the Rs.95 Cr bank facilities of KSR Infracon Private Limited (KSRIPL). The rating is now being flagged as "**Issuer Not Cooperating**" in line with existing SEBI regulations and policy in respect of 'What Constitutes Non-Cooperation' of Acuite.

Rationale for rating reaffirmation

The rating reaffirmation takes into account the healthy size of order book, improved revenue, moderate financial risk profile and adequate liquidity position of the company. KSRIPL recorded revenue of Rs.107.46 Cr in FY2023 as against Rs.88.06 Cr in FY2022. For the current year the unexecuted order book position as on September 2023 stands at Rs. 1752.55 Cr. Further, the financial risk profile of the company is moderate marked by moderate net worth, gearing and debt protection metrics. However, the rating is constrained by order book execution risk as any delay in execution could hinder the revenue visibility and also the working capital intensive operations.

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.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite 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 September 2023, KSRIPL has an unexecuted order book position of Rs. 1752.55 Cr.

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. 56.14 Cr as on March 31, 2023 as compared to Rs. 41.72 Cr as on March 31, 2022. Gearing is moderate at 1.59 times as on March 31, 2023 as against 0.83 times as on March 31, 2022. Total debt of Rs. 89.36 Cr consists of Rs. 57.82 Cr of long term debt, Rs. 12.83 Cr of unsecured loans, Rs. 15.05 Cr of short term debt and 3.67 Cr of CPLTD as on 31 March 2023. TOL/TNW is moderate at 2.00 times as on March 31, 2023 vis-à-vis 1.40 times as on March 31, 2022. Its debt protection metrics are marked by interest coverage ratio (ICR) and net cash accruals to total debt (NCA/TD) at 2.73 times and 0.13 times in FY2023 vis-à-vis 2.57 times and 0.18 times in FY2022, respectively. DSCR stood at 1.94 times as on 31 March 2023 as against 1.50 times on 31 March 2022.

Weaknesses

Working capital-intensive operations

KSRIPL's working capital cycle is intensive marked by high gross current assets (GCA) days of 320 days in FY2023 as against 310 days in FY2022. The GCA days are marked by high debtor days and moderate inventory days. Debtor days stood at 174 days in FY2023 as against 202 days in FY2022. 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. Creditor days stood at 129 days in FY2023 as against 127 days in FY2022. Further, inventory days stood at 79 days in FY2023 as against 05 days in FY2022.

Order Book Execution Risk

Although the company has strong order book position with unexecuted orders of around Rs. 1752.55, 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.

Rating Sensitivities

- Sustained increase in order inflow, providing adequate revenue visibility.
- 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

All Covenants

Not Available

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 in the range of Rs. 6.20-11.19 Cr from FY 2021-23 against CPLTD of Rs. 2.10-3.67 Cr. The working capital management of the company is intensive marked by GCA days of 320 days in FY2023 as against 310 days in FY2022. The company maintains unencumbered cash and bank balances of Rs.1.97 crore as on March 31, 2023. The current ratio stands at 2.68 times as on March 31, 2023 as against 2.41 times as on March 31, 2022.

Outlook: Not Applicable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	107.46	88.06
PAT	Rs. Cr.	5.42	3.41
PAT Margin	(%)	5.04	3.87
Total Debt/Tangible Net Worth	Times	1.59	0.83
PBDIT/Interest	Times	2.73	2.57

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

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
08 Sep 2022	Cash Credit	Long Term	7.50	ACUITE BB+ Stable (Reaffirmed)
	Proposed Bank Facility	Short Term	37.75	ACUITE A4+ (Assigned)
	Working Capital Term Loan	Long Term	2.25	ACUITE BB+ Stable (Assigned)
	Proposed Bank Facility	Short Term	12.50	ACUITE A4+ (Reaffirmed)
	Bank Guarantee	Short Term	35.00	ACUITE A4+ (Reaffirmed)
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	Complexity Level	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	35.00	ACUITE A4+ Reaffirmed Issuer not co-operating*
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	7.50	ACUITE BB+ Reaffirmed Issuer not co-operating*
Not Applicable	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	12.50	ACUITE A4+ Reaffirmed Issuer not co-operating*
Not Applicable	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	37.75	ACUITE A4+ Reaffirmed Issuer not co-operating*
State Bank of India	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	2.25	ACUITE BB+ Reaffirmed Issuer not co-operating*

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About Acuité Ratings & Research

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