



**Press Release**  
**K BHUPAL ENGINEERS AND CONTRACTORS PRIVATE LIMITED**  
**February 21, 2025**  
**Rating Assigned and Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	10.00	ACUITE BBB   Positive   Assigned	-
Bank Loan Ratings	30.00	ACUITE BBB   Positive   Reaffirmed   Stable to Positive	-
Bank Loan Ratings	40.00	-	ACUITE A3+   Assigned
Bank Loan Ratings	120.00	-	ACUITE A3+   Reaffirmed
Total Outstanding Quantum (Rs. Cr)	200.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

**Rating Rationale**

Acuite has reaffirmed its long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) on the Rs.30.00 Cr. bank facilities and short-term rating of '**ACUITE A3+**' (read as **ACUITE A three Plus**) on the Rs.120.00 Cr. bank facilities of K BHUPAL ENGINEERS AND CONTRACTORS PRIVATE LIMITED (KBECPL). The outlook is revised to '**Positive**' from '**Stable**'.

Acuite has also assigned its long-term rating of '**ACUITE BBB**' (read as **ACUITE triple B**) on the Rs.10.00 Cr. bank facilities and short-term rating of '**ACUITE A3+**' (read as **ACUITE A Three Plus**) on the Rs.40.00 Cr. bank facilities of K BHUPAL ENGINEERS AND CONTRACTORS PRIVATE LIMITED (KBECPL). The outlook is '**Positive**'.

**Rationale for reaffirmation and revision in outlook:**

The rating reaffirmation and revision in outlook takes into account the significant improvement in operating revenue coupled with marginal improvement in profitability margins in FY2024, and further improvement expected in FY2025. It also considers an improved financial risk profile, working capital operations and liquidity position. The ratings are supported by KBECPL's moderate order book position of Rs. 644.74 as of January, 2025. Further, it considers the extensive experience of the management of more than two decades in laying pipelines for water supply and sewage.

The rating is, however, constrained by significant geographical concentration in revenue profile, and risks associated with civil construction sector.

**About the Company**

K Bhupal Engineers and Contractors was established as a proprietorship firm by Mr.Bhupal Kamepalli in 1993 and was reconstituted as a private limited company in September 2013. Mr. Bhupal Kamepalli Managing Director and his wife Mrs. Rajya Lakshmi Kamepalli is the other director of the Company. KBECPL is a Hyderabad-based company which undertakes contracts for laying pipelines for drinking water and sewerage, works in the states of Karnataka, Andhra Pradesh, Telangana, odisha.

**Unsupported Rating**

Not Applicable

**Analytical Approach**

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

### Strengths

#### ▪ Experienced management

KBECPL, a special-class civil contractor, has been in existence for more than two decades with its forte in laying pipeline for water supply and sewerage under the central government led scheme 'Jal Jivan Mission' (erstwhile known as National Rural Drinking Water Program), in the state of Karnataka, Odhisa, Andhra Pradesh, and Telangana. Mr. K Bhupal, the managing director of KBECPL, has over twenty-five years of experience in the line of civil construction. With the promoter's extensive industry experience and track record of timely execution of projects in the past, KBECPL has been able to establish a long-standing relationship with its suppliers and various government bodies. Acuité believes that the promoter's extensive industry experience and established relations with its principal contractors and suppliers will aid KBECPL's business risk profile over the medium term.

#### ▪ Significant growth in operating revenue and moderate order book

The company witnessed a significant improvement in its operating revenue marked by y-o-y growth of 186.72 percent in FY 2024, which stood at Rs. 384.91 Cr. in FY 2024 as against Rs. 134.25 Cr. in FY 2023. The significant improvement in revenues is on account of the higher order flow and timely execution of ongoing orders during the year. Further, the company has achieved revenues of Rs. 310.34 Cr. in 9MFY2025. The company has an unexecuted order book position of Rs.644.74 Cr. as on Jan 15, 2025. The outstanding order book is 1.65x of the FY2024 revenue. The company has L1 orders of around Rs. 270-273 Cr. from Odisha government. Acuité believes that the operating performance is expected to improve on the back of moderate outstanding order book position and L1 orders in pipeline over the near to medium term.

#### ▪ Healthy financial risk profile metrics

The company's financial risk profile is healthy, marked by healthy net worth, low gearing, and healthy debt protection metrics. The net worth of the company stood at Rs.68.50 Cr. and Rs.42.87 Cr. as on March 31, 2024, and 2023 respectively. The improvement in net worth is due to the accretion of reserves. Gearing of the company stood low at 0.09 times on March 31, 2024, against 0.24 times as on March 31, 2023. Debt protection metrics—interest coverage ratio and debt service coverage ratio—stood healthy at 13.30 times and 6.38 times as on March 31, 2024, respectively, as against 9.34 times and 3.90 times as on March 31, 2023, respectively. The improvement in debt protection metrics is on account of improved absolute EBITDA in FY2024. TOL/TNW (Total outside liabilities/Total net worth) stood at 1.08 times and 1.69 times as on March 31, 2024, and 2023, respectively. The debt to EBITDA of the company stood at 0.14 times as on March 31, 2024, as against 0.80 times as on March 31, 2023. Acuité believes that the financial risk profile will continue to remain healthy in absence of any major debt-funded capital expenditure plan in the near term, and healthy accruals.

#### ▪ Efficient working capital operations

KBECPL's working capital operations are efficient marked by efficient gross current Asset (GCA) of 70 days in FY2024, as against 246 days in FY2023. The improvement in GCA days is on account of improved inventory days in FY2024. The GCA days also include high cash and bank balances of Rs. 49.51 Cr. Inventory days stood at 5 days in FY2024 as against 43 days in FY2023. Debtor days stood at 1 days in FY2024 as against 6 days in FY2023. Inventory days improved on account of the timely completion of work orders. Subsequently, the payable period stood at 44 days in FY2024 as against 36 days in FY2023 respectively. Further, the average bank limit utilization in the last nine months ended November 2024 remained at 63 percent for fund-based limits and 70 percent for non-fund-based limits. Acuité believes that the working capital operations of the company are likely to remain efficient over the medium term, backed by the efficient inventory and debtor's management policy of the promoters.

### Weaknesses

#### ▪ Geographical concentration in revenue profile

KBECPL executes orders across Karnataka, Telangana, Andhra Pradesh. However, over the past few financial years, KBECPL has been deriving ~95-100 percent of its revenue from the execution of orders in the state of Karnataka., thereby, leading to significant geographical concentration risk. Acuité believes that the ability of KBECPL to diversify its revenue profile will remain key monitorable over the medium term.

#### ▪ Risks associated with civil construction sector

The civil construction segment is characterized by stiff competition on account of the low complexity of

work involved and minimal entry barriers in terms of qualifications required for the tenders floated. This results in the presence of a large number of contractors in this segment, leading to intensely competitive bids, putting pressure on margins. Further, the margin is exposed to volatility in raw material prices. However, the built-in price variation clause in the contracts mitigates the risk to an extent and the long presence in the industry and established relationship with the clients provides comfort.

### **Rating Sensitivities**

- Improvement in scale of operations, while maintaining profitability margins
- Any large debt-funded capital expenditure, resulting in deterioration of financial risk profile
- Timely execution of its order book

### **Liquidity Position: Adequate**

KBECPL liquidity is adequate, marked by adequate net cash accruals as against repayment obligations. It generated cash accruals of Rs.27.37 Cr in FY2024, while its maturing debt obligations were Rs. 1.67 Cr during the same period. Going forward the company is expected to generate net cash accruals of Rs. 29.59 -32.81 Cr in FY 2025-26 against Rs.1.90-1.95 Cr debt obligations. The current ratio stood at 1.33 times as on March 31, 2024. The company maintains unencumbered cash and bank balances of Rs.49.51 Cr as on March 31, 2024. Further, the reliance on bank limits utilization stood moderate at ~63 percent for the fund-based limits and 70 percent for the non-fund-based limits for the past nine months ending in November 2024. Acuité believes that the liquidity of the company is likely to improve over the medium term.

### **Outlook: Positive**

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	384.91	134.25
PAT	Rs. Cr.	26.14	7.54
PAT Margin	(%)	6.79	5.61
Total Debt/Tangible Net Worth	Times	0.09	0.24
PBDIT/Interest	Times	13.30	9.34

**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, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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
24 Nov 2023	Bank Guarantee/Letter of Guarantee	Short Term	75.00	ACUITE A3+ (Upgraded from ACUITE A3)
	Proposed Bank Guarantee	Short Term	35.00	ACUITE A3+ (Upgraded from ACUITE A3)
	Proposed Letter of Credit	Short Term	10.00	ACUITE A3+ (Upgraded from ACUITE A3)
	Cash Credit	Long Term	20.00	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Proposed Cash Credit	Long Term	10.00	ACUITE BBB   Stable (Upgraded from ACUITE BBB-   Stable)
	Proposed Letter of Credit	Short Term	20.00	ACUITE Not Applicable (Withdrawn)
	Proposed Bank Guarantee	Short Term	20.00	ACUITE Not Applicable (Withdrawn)
	Proposed Cash Credit	Long Term	15.00	ACUITE Not Applicable (Withdrawn)
	Proposed Cash Credit	Long Term	15.00	ACUITE Not Applicable (Withdrawn)
06 Sep 2022	Proposed Letter of Credit	Short Term	20.00	ACUITE A3 (Assigned)
	Proposed Bank Guarantee	Short Term	105.00	ACUITE A3 (Assigned)
	Proposed Bank Guarantee	Short Term	22.00	ACUITE A3 (Upgraded from ACUITE A4+)
	Bank Guarantee/Letter of Guarantee	Short Term	33.00	ACUITE A3 (Upgraded from ACUITE A4+)
	Proposed Cash Credit	Long Term	15.00	ACUITE BBB-   Stable (Assigned)
	Proposed Cash Credit	Long Term	15.00	ACUITE BBB-   Stable (Upgraded from ACUITE BB+)
	Cash Credit	Long Term	10.00	ACUITE BBB-   Stable (Upgraded from ACUITE BB+)

# Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
State Bank of India	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	75.00	Simple	ACUITE A3+   Reaffirmed
State Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	20.00	Simple	ACUITE BBB   Positive   Reaffirmed   Stable to Positive
Not Applicable	Not avl. / Not appl.	Proposed Bank Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	35.00	Simple	ACUITE A3+   Reaffirmed
Not Applicable	Not avl. / Not appl.	Proposed Bank Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	40.00	Simple	ACUITE A3+   Assigned
Not Applicable	Not avl. / Not appl.	Proposed Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	10.00	Simple	ACUITE BBB   Positive   Reaffirmed   Stable to Positive
Not Applicable	Not avl. / Not appl.	Proposed Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	10.00	Simple	ACUITE BBB   Positive   Assigned
Not Applicable	Not avl. / Not appl.	Proposed Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	10.00	Simple	ACUITE A3+   Reaffirmed

## Contacts

Mohit Jain Senior Vice President-Rating Operations	<b>Contact details exclusively for investors and lenders</b>
Moparthi Anuradha Devi Senior Analyst-Rating Operations	Mob: +91 8591310146 Email ID: <a href="mailto:analyticalsupport@acuite.in">analyticalsupport@acuite.in</a>

### 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.

**Disclaimer:** An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website ([www.acuite.in](http://www.acuite.in)) for the latest information on any instrument rated by Acuité. Please visit <https://www.acuite.in/faqs.htm> to refer FAQs on Credit Rating.

**Note:** None of the Directors on the Board of Acuité Ratings & Research Limited are members of any rating committee and therefore do not participate in discussions regarding the rating of any entity.