



**Press Release**  
**Kailash Devbuild India Private Limited**  
**September 22, 2023**  
**Rating Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	67.00	ACUITE C   Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	67.00	-	-

**Rating Rationale**

Acuite has reaffirmed the long-term rating of **'ACUITE C' (read as ACUITE C)** on the Rs. 67.00 Cr bank facilities of Kailash Dev Build India Private Limited (KDBIL)

**Rationale for reaffirmation**

The rating is reaffirmed basis the information available in a credit bureau report which reflects asset categorization for some of the debt facilities availed by KDBIL as special mention account

**About the Company**

Kailash Devbuild India Private Limited (KDBIL) was established in 1988 as a sole proprietorship under the name of 'Kailash Constructions' by Mr. K. K. Shukla. It is based out of Jabalpur, Madhya Pradesh and undertakes turnkey construction projects for EHV transmission lines and substations and is also engaged in tower fabrication business. The firm was later converted in 2013 and took over the proprietary books. KDBIL constructs high-quality EHV transmission lines and substations. For this purpose, they offer integrated services through electrical systems design, complete solutions for civil design and construction activities, complete engineering procurement and turnkey solutions, commissioning and also maintenance services.

**Analytical Approach**

Acuite has considered the standalone financial and business risk profiles of KDBIL to arrive at the rating.

**Key Rating Drivers**

**Strengths**

**Experienced management coupled with long track of operations**

KDBIL, a special-class civil contractor, has been into existence for more than three decades in construction of high-quality EHV transmission lines and substations. Mr. K. K. Shukla, the promoter of KDBIL, is having more than three decades of experience in the civil construction industry. Currently, the business operations are handled and managed by Mr. Bhanu Shukla, who brings an experience of around a decade. KDBIL has executed multiple orders which included construction work of line bays along with installation of line reactors, turnkey

construction of pooling substations and others. With promoter's extensive industry experience and timely execution of past projects, KDBIL has been able to establish a long standing

relationship with its suppliers and various government bodies. The company as on August 2023, has orders in hand of Rs. 390.22 Cr. out of which orders worth Rs. 113.88 Cr. has been completed and the unexecuted orders are worth of Rs. 276.34 Cr. which is expected to be completed by 2023-2024. However the orders are delayed on account of delays in approvals and in land acquisition.

Acuité believes that the promoter's extensive industry experience and established relation with its principal contractors and suppliers will aid KDBIL's business risk profile over the medium term.

### **Presence in diverse geographies coupled with reputed clientele**

KDBIL's operations are moderate and is spread across diverse geographies. The company currently has an unexecuted order book size of Rs.276.34 Cr to be executed over the next 12 to 24 months located in different geographical locations such as Madhya Pradesh, Maharashtra, Gujarat, Jammu & Kashmir, among others. The company offers integrated services through electrical systems design, complete solutions for civil design and construction activities, complete engineering-procurement and turnkey solutions, commissioning and also maintenance services. The company has earlier executed orders for Hindalco Industries Ltd, Gamesa India Pvt Ltd, Madhya Pradesh Power Transmission Co. Ltd, among others.

Acuité believes that KDBIL's presence in diverse geographies along with long term association with reputed clients is likely to aid the business risk profile over the medium term.

## **Weaknesses**

### **Irregularity in servicing of debt obligations**

Irregularity reported by the lender in servicing of debt obligations in recent past, in case of some of the term loans and over draft facilities availed by KDBIL, in a credit bureau report. The accounts have been classified as special mention accounts.

### **Below Average Financial Risk profile**

The financial risk profile of the company is below average marked by low gearing, moderate net worth and weak debt protection metrics. The tangible networth of the company improved to Rs. 28.91 Cr. as on March 31, 2023(prov.) as against Rs. 28.60 Cr. as on March 31, 2022. The gearing level of the company stood at 0.71 times as on March 31, 2023(prov.) as against 0.87 times as on March 31, 2022. The debt protection metrics of the company are weak, with interest coverage ratio of 1.31 times as on March 31, 2023(prov.) as against 1.78 times as on March 31, 2022. The debt service coverage ratio stood at 0.56 times as on March 31, 2023(prov.) as against 1.32 times as on March 31, 2022.

### **Working Capital Intensive nature of operations**

The operations of the company are of working capital intensive nature marked by high bank limit utilisation and high GCA days. The GCA of the company stood at 400 days in FY2023(prov.) as against 339 days in FY2022. The inventory days also stood high at 189 days in FY2023(prov.) as against 238 days in FY2022. The debtor days stood at 80 days in FY2023(prov.) as against 50 days in FY2022. The creditor days stood at 66 days in FY2023(prov.) as against 119 days in FY2022. The average utilisation of the working capital limits stood higher at 94.98% for nine months ended as on July 2023.

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

KDBIL executes tender based projects from government & private players with no major reliance on subcontract work. Once the tender is allotted, EMD of 1-2 per cent is deposited. The company raises bills on a monthly basis. KDBIL has the flexibility to avail mobilization advance and for some of the orders the company avails mobilization advances; it generally bears a high interest rate. The retention money is usually 10 percent of the contract value (Few projects have 10 percent performance guarantee) which is released after a defect liability period of 1-2 years; which is usually the O&M of the project. Since the nature of operations is tender based, the business depends on the ability to bid for contracts successfully. KDBIL has a success rate of 30 to 40 percent in bidding. KDBIL's revenue and

profitability are susceptible to risks inherent in contract-based operations. Besides, tender based operations limit pricing flexibility in an intensely competitive industry.

Acuité believes that KDBIL's revenue and profitability are susceptible to risks inherent in tender based operations which limit pricing flexibility in an intensely competitive industry.

### **Rating Sensitivities**

Stretch in working capital cycle, leading to an increase in working capital borrowings and weakening of financial risk profile and liquidity.

### **All Covenants**

Not Applicable

### **Liquidity Position**

**Poor**

The liquidity profile of the company is poor on account of the inadequate net cash accruals against its repayment obligations and delays in servicing of debt obligations. The company generated net cash accrual of Rs. 1.08 Cr. in FY2023(prov.) as against the repayment obligation of Rs. 4.64 Cr. The average utilisation of the working capital limits stood higher at 94.98% for nine months ended as on July 2023.

### **Outlook : Not Applicable**

### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	60.96	67.27
PAT	Rs. Cr.	0.31	1.97
PAT Margin	(%)	0.52	2.92
Total Debt/Tangible Net Worth	Times	0.71	0.87
PBDIT/Interest	Times	1.31	1.78

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

ICRA vide its press release dated 30th June 2023, had rated the company to ICRA B+/Stable/A4; Issuer Not Cooperating.

Brickworks vide its press release dated 4th July 2022, had downgraded the company to BWR C/A4; Issuer Not Cooperating.

## 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](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
24 Jun 2022	Letter of Credit	Long Term	4.00	ACUITE C (Downgraded from ACUITE BBB-   Stable)
	Bank Guarantee	Long Term	19.00	ACUITE C (Downgraded from ACUITE BBB-   Stable)
	Bank Guarantee	Long Term	22.00	ACUITE C (Downgraded from ACUITE BBB-   Stable)
	Cash Credit	Long Term	8.00	ACUITE C (Downgraded from ACUITE BBB-   Stable)
	Cash Credit	Long Term	6.00	ACUITE C (Downgraded from ACUITE BBB-   Stable)
	Letter of Credit	Long Term	8.00	ACUITE C (Downgraded from ACUITE BBB-   Stable)
07 Jan 2021	Cash Credit	Long Term	8.00	ACUITE BBB-   Stable (Assigned)
	Letter of Credit	Long Term	8.00	ACUITE BBB-   Stable (Assigned)
	Letter of Credit	Long Term	4.00	ACUITE BBB-   Stable (Assigned)
	Bank Guarantee	Long Term	19.00	ACUITE BBB-   Stable (Assigned)
	Bank Guarantee	Long Term	22.00	ACUITE BBB-   Stable (Assigned)
	Cash Credit	Long Term	6.00	ACUITE BBB-   Stable (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 (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	19.00	ACUITE C   Reaffirmed
Punjab National Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	22.00	ACUITE C   Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	8.00	ACUITE C   Reaffirmed
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	6.00	ACUITE C   Reaffirmed
State Bank of India	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	1.20	ACUITE C   Reaffirmed
State Bank of India	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	0.95	ACUITE C   Reaffirmed
Punjab National Bank	Not Applicable	Covid Emergency Line.	Not Applicable	Not Applicable	Not Applicable	Simple	0.77	ACUITE C   Reaffirmed
State Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	1.00	ACUITE C   Reaffirmed
Punjab National Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	8.00	ACUITE C   Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	0.08	ACUITE C   Reaffirmed

## Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 <a href="mailto:mohit.jain@acuite.in">mohit.jain@acuite.in</a>  Vaishnavi Deshpande Analyst-Rating Operations Tel: 022-49294065 <a href="mailto:vaishnavi.deshpande@acuite.in">vaishnavi.deshpande@acuite.in</a>	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 <a href="mailto:rating.desk@acuite.in">rating.desk@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.