



Press Release
Kailash Devbuild India Private Limited
January 18, 2024
Rating Downgraded and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	30.23	ACUITE C Reaffirmed	-
Bank Loan Ratings	36.77	ACUITE D Downgraded	-
Total Outstanding Quantum (Rs. Cr)	67.00	-	-

Rating Rationale

Acuite has downgraded its long-term rating to **Acuite D (read as ACUITE D)** from **ACUITE C (read as ACUITE C)** on Rs.36.77 Cr bank facility of Kailash Devbuild India Private Limited (KDIPL).

Acuite has reaffirmed its long -term rating of **Acuite C (read as ACUITE C)** on Rs.30.23 Cr bank facility of Kailash Devbuild India Private Limited (KDIPL).

The downgrade in rating is on account of a delay in repayments by KDIPL as confirmed by its banker in the written feedback

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.

Unsupported Rating

Not Applicable

Analytical Approach

Acuite has considered the standalone financial and business risk profiles of KDIPL 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 for around 3 months, in facilities of cash credit, Bank Guarantee and LC's availed by KDBIL, mentioned in the written feedback.

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.

Liquidity Position

Poor

The liquidity profile of the company is poor on account of servicing debt obligations in recent past for around 3 months, in facilities of cash credit, Bank Guarantee and LC's availed by KDBIL. Also, it factors the inadequate net cash accruals against its repayment 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)

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
22 Sep 2023	Bank Guarantee	Long Term	19.00	ACUITE C (Reaffirmed)
	Covid emergency line	Long Term	1.20	ACUITE C (Reaffirmed)
	Covid emergency line	Long Term	0.77	ACUITE C (Reaffirmed)
	Proposed Bank Facility	Long Term	0.08	ACUITE C (Reaffirmed)
	Cash Credit	Long Term	8.00	ACUITE C (Reaffirmed)
	Bank Guarantee	Long Term	22.00	ACUITE C (Reaffirmed)
	Covid emergency line	Long Term	0.95	ACUITE C (Reaffirmed)
	Cash Credit	Long Term	6.00	ACUITE C (Reaffirmed)
	Letter of Credit	Long Term	1.00	ACUITE C (Reaffirmed)
	Letter of Credit	Long Term	8.00	ACUITE C (Reaffirmed)
24 Jun 2022	Letter of Credit	Long Term	4.00	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)
	Bank Guarantee	Long Term	19.00	ACUITE C (Downgraded from ACUITE BBB- Stable)
	Letter of Credit	Long Term	8.00	ACUITE C (Downgraded from ACUITE BBB- Stable)
	Bank Guarantee	Long Term	22.00	ACUITE C (Downgraded from ACUITE BBB- Stable)
07 Jan 2021	Cash Credit	Long Term	8.00	ACUITE BBB- Stable (Assigned)
	Bank Guarantee	Long Term	19.00	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	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 D Downgraded
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 D Downgraded
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 D Downgraded
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 D Downgraded
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	0.08	ACUITE C Reaffirmed

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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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