

Press Release

KCP INFRA LIMITED (ERSTWHILE KCP ENGINEERS LIMITED)

March 07, 2024

Rating Reaffirmed and Withdrawn



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	20.00	ACUITE BB+ Reaffirmed & Withdrawn	-
Fixed Deposits (FD)	50.00	Not Applicable Withdrawn	-
Bank Loan Ratings	70.00	-	ACUITE A4+ Reaffirmed & Withdrawn
Bank Loan Ratings	100.00	-	Not Applicable Withdrawn
Total Outstanding Quantum (Rs. Cr)	0.00	-	-
Total Withdrawn Quantum (Rs. Cr)	240.00	-	-

Rating Rationale

Acuite has reaffirmed and withdrawn its long-term rating of 'Acuite BB+' (read as Acuite double B plus) on the Rs.20.00 Cr. and the short term rating of 'ACUITE A4+' (read as ACUITE A four Plus) on the Rs.70.00 Cr. bank facilities of KCP INFRA LIMITED (ERSTWHILE KCP ENGINEERS LIMITED).

Also withdrawn the long-term rating on the Rs.50 Cr. proposed Fixed deposit and short-term rating on the Rs. 100 Cr. proposed bank facilities of KCP INFRA LIMITED (ERSTWHILE KCP ENGINEERS LIMITED) without assigning any rating as it is a proposed facility. The withdrawal is in accordance with Acuite's policy on withdrawal of ratings. The rating is being withdrawn on account of request received from the company and No Objection Certificate from the lenders.

Rationale for rating reaffirmation

The rating considers by improving net worth, comfortable gearing and healthy debt protection metrics, The rating also draws comfort from the Experienced promoters and Established nature of operations in the industry. These strengths are however, offset by the working capital-intensive in nature of operations along with Volatile raw material prices impacting profitability.

About the Company

KCP Infra Limited (erstwhile KCP Engineers Ltd, "KCPIL") was established as a partnership business in 2005 based out of Coimbatore and is promoted by civil engineer Mr. K Chandraprakash. The company is engaged in undertaking infrastructural construction projects like construction of roads, bridges, irrigation projects, solid waste management projects, water supply projects and smart city projects. The company operates mainly out of Chennai and Coimbatore and caters to projects in Tamil Nadu, Kerala and Andhra Pradesh. The company is a Class 1 Licensed contractor with various agencies in state and central government.

Unsupported Rating

Not Applicable

Analytical Approach

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

Key Rating Drivers

Strengths

Experienced promoters and Established nature of operations

KCP Infra Limited (erstwhile KCP Engineers Ltd, "KCPIL") was established as a partnership business in 2005 based out of Coimbatore and is promoted by Mr. K Chandraprakash and has more than two decades in infrastructural construction industry. The company is engaged in undertaking infrastructural construction projects like construction of roads, bridges, irrigation projects, solid waste management projects, water supply projects and smart city projects. The company operates mainly out of Chennai and Coimbatore and caters to projects in Tamil Nadu, Kerala and Andhra Pradesh. The company is a Class 1 Licensed contractor with Government of Tamil Nadu's Public Works Department. The company has executed projects for TN PWD, Water Authority, Town Planning departments in various municipalities and Chennai Corporation.

Moderate financial risk profile

The financial risk profile of the company is marked by improving net worth, comfortable gearing and healthy debt protection metrics. The tangible net worth of the company stood at Rs. 275.22 Cr. as on FY2023 as compared to Rs. 216.32 Cr. as on FY2022 due to accretion to reserves. The gearing of the company stood at 0.21times as on FY2023. The Total Outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 0.59times as on FY2023. The debt protection metrics of the company remain healthy marked by Interest coverage ratio (ICR) of 6.59 times and debt service coverage ratio (DSCR) of 3.00 times for FY2023. The net cash accruals to total debt (NCA/TD) stood healthy at 0.79 times in FY2023.

Going forward, Acuité believes that the financial risk profile will remain moderate over the medium term, supported by steady accrual, moderate capital structure and debt protection metrics.

Weaknesses

Volatile raw material prices impacting profitability.

Most EPC projects undertaken by the company has a gestation period of 12-24 months, and during this time period, profitability remains susceptible to fluctuations in the input prices. However, majority of orders in hand have a built-in inflation index-linked price escalation clause, depending upon the extent of coverage of the actual increase in input prices, which mitigates the risk to an extent.

Tender based nature of Operations

KCPIL operates in infrastructural construction industry which is highly competitive with presence of large number small, regional and large players. EPC projects executed by the company are tender based with wins going to, the lowest bidder qualifying the terms and conditions stipulated by the respective agencies floating the bids. This puts strain on profitability of the company where the bidding can get aggressive.

Geographic concentration of projects

Majority of the projects executed by the company are based out of Tamil Nadu which is responsible for a large portion of the revenue resulting in exposure to significant geographical and political risk. To mitigate the concentration risks, the company has started acquired new projects in Telangana, Andhra Pradesh and Kerala.

Rating Sensitivities

Not Applicable

Liquidity Position

Adequate

The company has adequate liquidity marked by net cash accruals of Rs 46.16 Cr. as on FY2023 as against Rs.8.20 Cr. long-term debt over the same period. The cash and bank balance stood at Rs. 14.57 Cr for FY 2023. Further, the current ratio of the company stood at 3.13 times in FY2023. The working capital cycle of the company is marked by Gross Current Assets (GCA) of 118 days for FY2023 as compared to 96 days for FY2022. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of low but steady cash accruals, term debt repayments and financial flexibility of promoters to bring in funds in business over the medium term.

Outlook: Not Applicable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	728.45	702.33
PAT	Rs. Cr.	40.29	45.10
PAT Margin	(%)	5.53	6.42
Total Debt/Tangible Net Worth	Times	0.21	0.44
PBDIT/Interest	Times	6.59	5.11

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

Not Applicable

Any other information

None

Applicable Criteria

- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.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
14 Jun 2023	Secured Overdraft	Long Term	20.00	ACUITE BB+ Not Applicable (Reaffirmed & Issuer not co-operating*)
	Proposed Fixed Deposit Program	Long Term	50.00	ACUITE BB+ Not Applicable (Reaffirmed & Issuer not co-operating*)
	Bank Guarantee (BLR)	Short Term	70.00	ACUITE A4+ (Reaffirmed & Issuer not co-operating*)
	Proposed Bank Guarantee	Short Term	100.00	ACUITE A4+ (Reaffirmed & Issuer not co-operating*)
16 Jun 2022	Secured Overdraft	Long Term	20.00	ACUITE BB+ Not Applicable (Downgraded & Issuer not co-operating*)
	Proposed Fixed Deposit Program	Long Term	50.00	ACUITE BB+ Not Applicable (Downgraded & Issuer not co-operating*)
	Bank Guarantee (BLR)	Short Term	70.00	ACUITE A4+ (Downgraded & Issuer not co-operating*)
	Proposed Bank Guarantee	Short Term	100.00	ACUITE A4+ (Downgraded & Issuer not co-operating*)
19 Jun 2021	Bank Guarantee (BLR)	Short Term	100.00	ACUITE A2+ (Assigned)
	Bank Guarantee (BLR)	Short Term	70.00	ACUITE A2+ (Assigned)
	Proposed Fixed Deposit Program	Long Term	50.00	ACUITE FA Stable (Assigned)
	Secured Overdraft	Long Term	20.00	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
Karnataka Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	70.00	ACUITE A4+ Reaffirmed & Withdrawn
Not Applicable	Not avl. / Not appl.	Proposed Bank Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	100.00	Not Applicable Withdrawn
Not Applicable	Not avl. / Not appl.	Proposed Fixed Deposit Program	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	50.00	Not Applicable Withdrawn
Karnataka Bank Ltd	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	20.00	ACUITE BB+ Reaffirmed & Withdrawn

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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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