

Press Release

Kram Infracon Private Limited

November 07, 2022



Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	20.00	ACUITE BBB Stable Assigned	-
Bank Loan Ratings	20.00	ACUITE BBB Stable Reaffirmed	-
Bank Loan Ratings	7.50	-	ACUITE A3+ Assigned
Total Outstanding Quantum (Rs. Cr)	47.50	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned and reaffirmed the long term rating of '**ACUITE BBB** (read as **ACUITE triple B**)' on the Rs.40.00 Crore bank facilities and assigned '**ACUITE A3+** (read as **ACUITE A three plus**)' on the Rs.7.50 crore short term bank facilities of Kram Infracon Private Limited. The outlook is '**Stable**'.

Rationale behind Rating

The rating assignment takes into consideration an improvement in the top-line of the business. The rating further continues to derive strength from the experience of management and healthy order book of business along with improved margins.

About the Company

Kram Infracon Private Limited (KIPL) was incorporated in February 2016, by Mr.Suresh Kumar. The company is engaged in construction of roads, highways, bridges, irrigation and other infrastructure projects. In addition to this, the KIPL also provides consultancy and advisory services in the fields of engineering and constructions services to other entities.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of Kram Infracon Private Limited to arrive at the rating.

Key Rating Drivers

Strengths

Revenue and Healthy order book

The company has achieved a turnover of around Rs.209.43 Crore in FY22 against Rs.201.62 Crore in FY21. Total operating income in FY21 has declined on an account of lower work

execution due to COVID 19. Now the company has initiated working on road projects and water projects in Mizoram, UP and Jharkhand. The total unexecuted order book is around Rs.1356 Crore and Rs.320 Crore have been fulfilled as of August 2022 out of the total contract value of Rs.1676.50 Crore. Although the company has a sizable order book, PAT and EBITDA margins have been looked in a downward trend since margin availability varies from project to project. On the back of healthy order book, company anticipates revenue of around Rs.330 Crore in FY23 and Rs.470 Crore in FY24. Though the completion of projects in the order book is mentioned by FY24 the billing of the same will be spilled over to the next financial year as after the completion of project it goes for inspection and final approval, which generally takes 2 to 3 months after which the billing will be done.

Moderate financial Risk Profile

The financial risk profile of the company is moderate with debt equity ratio below unity. Further, the tangible net-worth of the company has improved over the years, backed by accretion of profits to reserves. In FY22, the total debt of the company is Rs.25.22 crore out of which Long term debt is Rs.5.26 Crore, unsecured loans are Rs.7.46 Crore, short term debt of Rs.4.79 Crore and CPLTD of Rs. 7.71 Cr. The interest coverage ratio of the company remains around 6.62 times in FY22 against 14.04 times in FY21. The company does routine maintenance capex which is around Rs. 5 crores.

Acuite believes that going ahead, financial risk profile of the company is expected to remain at moderate level, backed by execution of orders.

Weaknesses

Short Track Record of Operations

The company was incorporated in 2016, hence has relatively short track record of operations. Due to this, the company has received major portion of orders around ~80% through subcontracting and remaining through direct tender.

Highly competitive industry marked by tender based nature of business

The company's performance is susceptible to the tender based nature of business, where the business depends on the ability to bid for contracts successfully. Risk become more pronounced as tendering is based on minimum amount of bidding of contracts.

Geographic and Client concentration risk

The company has concentrated order book, as major portion of outstanding orders belongs from UP. However, if there would be any change in policy, it might impact the revenue streams of the company.

Rating Sensitivities

- Improving scale of operations along with the diversification of its order book on clientele and geographical front.
- Any delay in execution of projects impacting revenue stream and profitability level and margins of company.

Liquidity Position

Adequate

The net cash accrual of the company remained at Rs.17.79 Crore in FY22 against debt obligation of Rs.6.61 Crore. The NCA of the company is expected to be at Rs.20 Crore to Rs.25 Crore. The liquidity profile of the company is comfortable, as it provides adequate cushion against debt repayments of Rs. 7 Crore to Rs.8.5 Crore (including repayment of unsecured loans) during following years. Further, the current ratio of the company is at 1.75 times in FY22 against 1.57 times in FY21. Additionally, the company has unencumbered cash balance of Rs.1.29 Crore in FY22.

Outlook: Stable

Acuité believes that the company will continue to maintain a 'Stable' outlook over near to medium term owing to its experienced promoters and established position in market. The outlook may be revised to 'Positive' in case the company achieves higher than expected growth in revenues consummating increase in order book size, working capital management and debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case of a significant decline in revenues and operating profit margins, or deterioration in the capital structure and liquidity position on account of higher-than-expected working capital requirements.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	209.43	201.62
PAT	Rs. Cr.	15.49	12.90
PAT Margin	(%)	7.39	6.40
Total Debt/Tangible Net Worth	Times	0.31	0.29
PBDIT/Interest	Times	6.62	14.04

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

The company has downgraded and issuer non cooperating from Brickwork at the quantum of Rs.20 Crore dated August 19,2022.

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.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. 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
21 Sep 2021	Proposed Bank Guarantee	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
State Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	20.00	ACUITE BBB Stable Reaffirmed
Bank of Maharashtra	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE BBB Stable Assigned
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE BBB Stable Assigned
Bank of Maharashtra	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE BBB Stable Assigned
State Bank of India	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	7.50	ACUITE A3+ Assigned

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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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