



Press Release
Kram Infracon Private Limited
September 28, 2023
Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	19.50	ACUITE BBB Stable Assigned	-
Bank Loan Ratings	40.00	ACUITE BBB Stable Reaffirmed	-
Bank Loan Ratings	10.00	-	ACUITE A3+ Assigned
Bank Loan Ratings	7.50	-	ACUITE A3+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	77.00	-	-

Rating Rationale

Acuite has reaffirmed the long term rating of '**ACUITE BBB** (read as **ACUITE triple B**)' and the short term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) on the Rs 47.50 crore bank facilities of Kram Infracon Private Limited. The outlook is '**Stable**'.

Further, Acuite has assigned the long term rating of '**ACUITE BBB** (read as **ACUITE triple B**)' and the short term rating of '**ACUITE A3+**' (read as **ACUITE A three plus**) on the Rs.29.50 Crore bank facilities of Kram Infracon Private Limited. The outlook is '**Stable**'.

Rationale for the rating

The rating reaffirmation takes into account the improved business risk profile of the company marked by growth in business operations. The revenue from operations of the company witnessed improvement to Rs. 340.29 crore in FY2023 as against Rs. 209.43 crore in FY2022. Furthermore, the Working capital operations of the company witnessed improvement over FY2022-23. The GCA Days of the company improved to 188 Days in FY2023 as against 277 Days in FY2022. The profitability of the company witnessed deterioration in FY2022-23. The operating profit margin of the company deteriorated to 8.84 percent in FY2023 as against 12.66 percent in FY2022. Likewise, the company reported Profit after Tax (PAT) of Rs. 14.82 crore in FY2023 as against Rs. 15.49 crore in FY2022 with decline of 303 bps in PAT Margin which stood at 4.36 Percent in FY 23 as against 7.39 percent in FY 22

The rating further draws comfort from the adequate liquidity position and healthy financial risk profile of the company. The rating is however constrained on account of working capital intensive nature of operations, Moderation in coverage indicator. Acuite believes that the company's ability to grow its scale of operations and profitability while maintaining a healthy capital structure remains a key rating indicator.

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.

Standalone (Unsupported) Rating

Not Applicable

Analytical Approach

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

Key Rating Drivers

Strengths

Business risk profile

KIPL's operation witnessed substantial improvement which is apparent from growth in revenue from operations by ~62% in FY2023 to 340.29 crore as against Rs. 209.43 crore for FY2022. Company has current unexecuted order in hand of Rs ~789 crore to be executed till FY25. It is expected that the company will achieve Revenue of Rs 450 crore in FY 24. Company has booked operating income of Rs 121.68 crore in first four Months of FY 24. Operating Profit Margin of company stood at 8.84% in FY2023 as against 12.66% in FY2022

Financial Risk Profile- Healthy

Company has healthy financial risk profile marked by strong net worth, comfortable gearing and coverage indicators. The Total Tangible net worth stood at Rs. 99.34 Cr as on 31st March 2023 as against Rs. 80.61 Cr a year earlier. Increase in net worth is on account of Profit accretion. Company follows conservative policy marked by low gearing. Debt to Equity ratio improved and stood at 0.18 times in FY 2023 as against 0.31 times in FY 22. Improvement in gearing is on account of increase in Net Worth and fall in total debt. Gearing is expected to remain same in near medium term.

Interest coverage ratio decreased by 111 bps and yet stood strong at 5.51 times for FY2023 as against 6.62 times in FY2022. Deterioration in Interest coverage ratio is on account of high interest cost in FY 23 in comparison to FY 22 and decrease in Operating Margin. Likewise, Debt Service coverage ratio moderated by 29 bps and yet stood comfortable 1.75 times for FY2023 as against 2.04 times in FY2022.

Total outside liabilities to total net worth (TOL/TNW) stood at 1.26 times as on FY2023 vis-à-vis 1.39 times as on FY2022. Debt-EBITA improved and stood at 0.64 times as on 31st March 2023 as against 0.93 times as on 31st March 2022. The Net Cash Accruals to Total debt stood at 0.99 times as on FY2023 and 0.71 times for FY2022.

Weaknesses

Deterioration in Profitability

The operating profit margin of the company deteriorated by 382 bps in FY 23. Operating Profit Margin of company stood at 8.84% in FY2023 as against 12.66% in FY2022 likewise the net profit margin of the company declined by 303 bps and stood at 4.36 percent in FY2023 as against 7.39 percent in FY 22.

Working capital operations- Improved yet Intensive

Company has improved yet intensive working capital requirements as evident from gross current assets (GCA) of 188 days in FY2023 as compared to 277 days in FY2022. Intensiveness of Working capital is on account of High Receivable Days. Debtor days stood at 107 days in FY2023 as against 174 days in FY 22. Inventory days stood at 12 days in FY 23 (7 days in FY22).

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 to 90% 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

Rating Sensitivities

Improving scale of operations along with the diversification of its order book
Improvement in Operating Margin resulting better financial risk profile
Improvement in Working Capital Operation

All Covenants

None

Liquidity Position

Adequate

Company has adequate liquidity marked by net cash accruals to its maturing debt obligations, current ratio, cash and bank balance. Company generated cash accruals of Rs. 17.14 crore for FY2023 as against obligations of Rs. 7.71 crore for the same period. Current Ratio stood at 1.73 times as on 31 March 2023 as against 1.75 times in the previous year. Fund based working capital limits are utilized at ~82 per cent during the last twelve months ended August 23 while non fund based limit utilization is 74 percent leaving additional cushion in working capital limits to meet contingencies. Cash and Bank Balances of company stood at Rs 22.89 crore.

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-thanexpected working capital requirements.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	340.29	209.43
PAT	Rs. Cr.	14.82	15.49
PAT Margin	(%)	4.36	7.39
Total Debt/Tangible Net Worth	Times	0.18	0.31
PBDIT/Interest	Times	5.51	6.62

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

Brickwork vide its press release dated 6 September 2023, has mentioned the rating of the company to '[BWR] BB/Stable'; 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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
07 Nov 2022	Cash Credit	Long Term	5.00	ACUITE BBB Stable (Assigned)
	Letter of Credit	Short Term	7.50	ACUITE A3+ (Assigned)
	Bank Guarantee	Long Term	10.00	ACUITE BBB Stable (Assigned)
	Bank Guarantee	Long Term	20.00	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE BBB Stable (Assigned)
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 Reaffirmed
UCO Bank	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 Reaffirmed
Bank of Maharashtra	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE BBB Stable Reaffirmed
Punjab and Sind Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	4.50	ACUITE BBB Stable Assigned
UCO Bank	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+ Reaffirmed
Punjab and Sind Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	10.00	ACUITE A3+ Assigned

Letter of Credit Facility from Punjab and Sindh Bank in interchangeable with Bank Guarantee

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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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