

Press Release

Kishore Infrastructures Private Limited

November 03, 2021



Rating Assigned

Total Bank Facilities Rated*	Rs. 100.00 Cr.
Long Term Rating	ACUITE BBB-/Stable (Assigned)
Short Term Rating	ACUITE A3 (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned its long-term rating of '**ACUITE BBB-**' (**read as ACUITE Triple B Minus**) and short term rating of '**ACUITE A3**' (**read as ACUITE A three**) to the Rs. 100.00 Cr bank facilities of Kishore Infrastructures Private Limited (KIPL). The outlook is '**Stable**'.

Rationale for Ratings Assigned

The ratings assigned favorably factor in the satisfactory operating track record in rural electrification segment, promoter's industry experience, establish long-standing relationship with various government bodies for repeated business and its moderate financial risk profile. Albeit, the ratings are constrained by pressure on the business risk profile as indicated by declining revenue and a stretch in receivables. Operating income is declined to about Rs 89.90 Cr in fiscal 2021 from about Rs 112 Cr in the previous fiscal owing to the adverse impact of the pandemic on its operations and a slow-moving order book. Further the operations are constrained by tender-based nature of its operations coupled with intense competition and stretched working capital cycle. However the operating margin has been improving on account of a focus on high value and higher margin projects. Revenue growth and receivables position will be closely monitored over the medium term.

About the Company

Hyderabad based, Kishore Infrastructures Private Limited (KIPL) was incorporated in 2010. The company is engaged in electrical distribution and transmission projects, which mainly include power transmission, distribution lines and electrical sub stations. The company is engaged in erection of high voltage and Low voltage transmission lines, setting up of Sub-stations, electrical generation stations etc., on turnkey and partial-turnkey basis i.e. it offers End-to-End services for providing Transmission & Distribution Infrastructure. The company is registered as a 'Grade A' electrical contractor with the governments of Madhya Pradesh, Uttar Pradesh, Maharashtra, Jharkhand, and Rajasthan among others.

Analytical Approach

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

Key Rating Drivers

Strengths

- Experienced promoters in implementing the rural electrification works**

Mr. Gadiraju Venkatasatya Kishore Raju (Managing Director), Mr. Krishnam Raju Gadiraju, Ms. Parvathi Gadiraju are the directors of the company and actively involved in the day to day operation. All the directors are having an experience of over a decades in executing rural electrification works. With promoter's extensive industry experience supported by experienced management and timely execution of projects helped the company to establish long-standing relationship with various government bodies for repeated business. As of June 30, 2021, KIPL has an unexecuted order book position of Rs. 219 Cr; the same is estimated to be executed over the next 36 months which provides adequate revenue visibility over the medium term. Going ahead, similar growth trajectory is likely to continue over the medium term too. Acuité believes that moderate unexecuted order book; promoter's established presence in executing rural electrification works will support KIPL's business profile over the medium term.

• **Moderate financial risk profile**

KIPL's financial risk profile is moderate marked by moderate net worth, healthy gearing (debt-to-equity), and moderate total outside liabilities to total net worth (TOL/TNW) and moderate debt protection metrics. KIPL's net worth is moderate at Rs.31.85 Cr as on March 31, 2021 (Provisional) as compared to Rs.26.42 as on March 31, 2020. Gearing is moderate at 0.69 times as on March 31, 2021 (Provisional) as against 0.60 times as on March 31, 2020. TOL/TNW is high at 2.70 times as on March 31, 2020 vis-à-vis 2.96 times as on March 31, 2020. Its debt protection metrics are moderate marked by interest coverage ratio (ICR) and net cash accruals to total debt (NCA/TD) at 3.00 times and 0.25 times in FY2021 (Provisional) vis-à-vis 2.04 times and 0.26 times in FY2020, respectively. Acuité believes that the financial risk profile of the firm is expected to similar levels over the medium term on account of no significant capex plans over the medium term.

Weaknesses

• **Declining revenues coupled with modest order book position**

KIPL undertakes orders for the electrical distribution projects and transmission projects in the states of Madhya Pradesh, Uttar Pradesh, Maharashtra, Jharkhand, and Rajasthan among others. The revenues of the firm recorded a declining trend during the period under study i.e. FY2019- FY2021 (Provisional). The revenues declined to Rs.89.90 Cr in FY2021 (Provisional) from Rs.146.85 Cr in FY2019. The significant decline in revenues is on the account of limited number of fresh tenders in last two years and slow order book movement along with low strike rate in bidding for KIPL. As of June, 2021, KIPL has an unexecuted order book position of Rs.219 Cr, which provides moderate revenue visibility over the medium term. Further, civil-construction industry is intensely competitive on account of fragmented nature with presence of a large number of players. Also, tender nature of business constrains the business risk profile. Acuité believes that, going forward, ability of the entity to improve its operating income with timely execution of orders on hand and secure new orders, maintain its profitability would be the key rating sensitivities.

• **Working capital-intensive operations**

KIPL's working capital cycle is marked by moderate gross current assets (GCA) days in the range of 93-221 days over the last 3 years ending March 31, 2021 (Provisional). The GCA days are marked by elevated debtor days and moderate inventory days. The GCA days include the other current asset portion Rs.22.65 Cr also resulted in elevated in GCA Days. The inventory days (3-25) and debtor days (40-106) respectively, over the past 3 years ended with March 31, 2021 (Provisional). These are partially offset by creditor days at 235-393 days over the past 3 years ended with March 31, 2021 (Provisional). The moderate GCA cycle has led to average utilization of ~67 percent of bank lines of Rs.16.00 Cr over the past 6 months ending August, 2021. Acuité believes that the operations of the KIPL will remain working capital intensive over the medium term.

Rating Sensitivities

- Sustained increase in order inflow, providing adequate revenue visibility for the medium term
- Significant improvement in scale of operations while maintaining profitability margins
- Further stretch in the working capital cycle leading to increase in working capital borrowing and weakening of financial risk profile and liquidity.
- Timely execution of its order book

Liquidity Position: Adequate

Liquidity of KIPL is adequate marked by moderate cash accruals to its repayment obligations albeit and albeit constraint by working capital intensive nature of its operations. KIPL generated cash accruals of Rs.4 to 6 Cr during the last 3 years through 2019-21 (Provisional), while its maturing debt obligations were minuscule during the same period. The cash accruals of the company are estimated to remain around Rs.5-7 Cr during 2022-24 while their repayment obligations are estimated to be around Rs.0.75-1.00 Cr during the same period. KIPL's operations are working capital intensive as marked by Gross Current Asset (GCA) days of 93-221 days over the last 3 years ending March 31, 2021 (Provisional). Its working capital credit limits were utilised at about 67 per cent during the last 6 months period ended August 2021. It has free cash and bank balance of Rs. 12.58 Cr as on March 31, 2021 and current ratio of 1.21 times as on March 31, 2021 (Provisional). Acuité believes that the liquidity of the KIPL is likely to remain adequate over the medium term on account of adequate cash accruals against its repayment obligations.

Outlook: Stable

Acuité believes that KIPL will continue to benefit over the medium term due to its experienced management, moderate revenue visibility. The outlook may be revised to 'Positive', if the company demonstrates substantial and sustained growth in its revenues from the current levels while improving its profitability and capital structure. Conversely, the outlook may be revised to 'Negative' in case of any

sharp decline in its revenues or significant volatility in its profitability or any significant stretch in its working capital management leading to deterioration in the financial risk profile or further stretch in its liquidity position or substantial increase in receivable collection period.

About the Rated Entity - Key Financials

	Unit	FY21 (Provisional)	FY20(Actual)
Operating Income	Rs. Cr.	89.90	112.23
PAT	Rs. Cr.	5.43	3.72
PAT Margin	(%)	6.04	3.32
Total Debt/Tangible Net Worth	Times	0.69	0.60
PBDIT/Interest	Times	3.00	2.04

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

KIPL has not cooperated with India Ratings, which has classified the company as non-cooperative and simultaneously withdrawn through a release dated August 23, 2021. The reason provided by India Ratings is non-furnishing of information for monitoring of ratings.

Any other information

None

Material covenants

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Infrastructure Sector Entities- <https://www.acuite.in/view-rating-criteria-51.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Not Applicable

***Annexure – Details of instruments rated**

Lender Name	Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Canara Bank	Cash Credit	Not Applicable	Not Applicable	Not Applicable	16.00	ACUITE BBB- /Stable (Assigned)
Canara Bank	Working Capital Term Loan	Not Available	Not Available	Not Available	2.94	ACUITE BBB- /Stable (Assigned)
Canara Bank	Working Capital Demand Loan	Not Available	Not Available	Not Available	0.70	ACUITE BBB- /Stable (Assigned)
Not Applicable	Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.36	ACUITE BBB- /Stable (Assigned)
Canara Bank	Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	40.00	ACUITE A3 (Assigned)
Canara Bank	Letter Of Credit	Not Applicable	Not Applicable	Not Applicable	40.00	ACUITE A3 (Assigned))

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About Acuité Ratings & Research:

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