

Press Release
Kinjal Civilcon LLP

June 23, 2022



Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	25.00	ACUITE B+ Stable Assigned	-
Total Outstanding Quantum (Rs. Cr)	25.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned its long-term rating of '**ACUITE B+**' (read as **ACUITE B plus**) to the Rs.25 Cr. bank facilities of Kinjal civilcon LLP. The outlook is 'Stable'.

Reason for rating assigned

The rating assigned takes into consideration the established market position of the company in the construction segment along with reputed customer base of MCGM, PWD, etc. However the rating is constrained by the working capital intensive operations, high gearing with moderate financial risk profile and the high working capital limits utilization.

About the Company

Kinjal Civilcon LLP was established in 2019. The company is based in Mumbai and is engaged in construction of buildings, flyovers, etc. Designated Partners of Kinjal Civilcon LLP are Mr. Heeralal Doshi, Mr. Divyesh Doshi, Mr. Sadashiv Shetty, Mr. Ashokkumar Bafna, Mr. Sogaram Dewasi, Mrs. Kinjal Salecha and Miss. Divya Doshi.

Analytical Approach

Acuite has considered the standalone financial and business risk profiles of Kinjal civilcon LLP to arrive at the rating.

Key Rating Drivers

Strengths

Improvement in the business risk profile

The firm has recorded an operating income of Rs.140.38 crores in FY2022 as against Rs.81.31 crores in FY2021. The revenue of the firm has increased by ~73 percent as the firm received more contracts from the MCGM. Further, the firm has a healthy order book of Rs.1192 crores as on 1st April 2022 which needs to be completed in two and a half years. The firm is expected to book a revenue of Rs.405 crores in FY23. The operating margin of the firm declined

marginally to 19.86 percent in FY2022 as against 20.71 percent in FY2021, margins of the firm varies with the different projects execution. The PAT margin of the firm increased and stood at 8.60 percent in FY2022 as against 4.05 percent in FY2021.

Acuite believes that the firm will continue to have a healthy business risk profile in the medium term on account of healthy order book position.

Weaknesses

Moderate financial risk profile

The financial risk profile of the firm stood moderate marked by moderate net worth, moderate gearing and moderate debt protection metrics. The tangible net worth stood at Rs.37.79 crore as on 31 March, 2022 as against Rs.12.69 crore as on 31 March, 2021. The total debt of the firm stood at Rs.69.02 crore which includes Rs.15.70 crore of long term debt, Rs.7.44 crore unsecured loans from directors and Rs.31.58 crore of short term debt as on 31 March, 2022. The gearing (debt-equity) stood at 1.83 times as on 31 March, 2022 as compared to 7.25 times as on 31 March, 2021. Interest Coverage Ratio stood at 3.28 times for FY2022 as against 1.42 times for FY2021. Debt Service Coverage Ratio (DSCR) stood at 2.52 times in FY2022 as against 1.29 times in FY2021. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 3.15 times as on 31 March, 2022 as against 9.66 times on 31 March, 2021.

Acuite believes that the financial risk profile will continue to remain moderate in medium term.

Working capital intensive operations

The working capital management of the firm is intensive marked by GCA days of 346 days in FY2022 as against 525 days in FY2021. Also, the debtor days stood at 84 days in FY2022 as against 76 days in FY2021. However, the inventory days improved and stood at 39 days for FY 2022 as against 62 days for FY 2021. The creditors days stood at 171 days in FY2022 as against 185 days in FY21. The high level of GCA days is on account high current assets arising out of deposits during the same period. The other current assets include unbilled revenue of Rs.43.32 crore for FY21 and Rs.30.56 crore for FY22. The firm's reliance on working capital borrowings is on a higher side marked by average utilization of working capital limits of 100 percent during the last six months period ended March 2022.

Acuite believes that the operations of the firm will remain working capital intensive over the medium term owing to the nature of industry and high dependence on working capital limits.

Risks of withdrawal of capital by partners

The firm is exposed to adverse capital structure risk, where any substantial capital withdrawal could negatively impact its net worth and capital structure and the liquidity position.

Rating Sensitivities

Significant improvement in scale of operations and profitability margins.

Any stretch in the working capital cycle leading to an increase in reliance on working capital borrowings and liquidity position.

Material covenants

None

Liquidity Position: Stretched

The firm has a stretched liquidity position marked by low net cash accruals against its maturing debt obligations. The company generated cash accruals of Rs.12.07 crore in FY22 compared against maturing debt obligations of Rs.14.30 crore over the same period. The cash accruals of the company are estimated to remain around Rs.38.56-Rs.50.39 crore during 2022-24 period while its matured debt obligations is estimated to be in the range of Rs.1.24-Rs.8.4

crore during the same period. The company reliance on working capital borrowings is on a higher side marked by average utilization of working capital limits of 100 percent during the last six months period ended March 2022. The company maintains unencumbered cash and bank balances of Rs.3.96 crore as on March 31, 2022 and the current ratio also stood moderate at 1.52 times as on March 31, 2022. Acuite believes that the liquidity will continue to remain stretched in the medium term.

Outlook: Stable

Acuite believes that Kinjal civilcon LLP will maintain a stable "outlook" in the medium term and will continue to benefit over the medium term due to its experience management and healthy demand of its products in the market. The outlook may be revised to "Positive" if the company demonstrates substantial and sustained growth in its revenues and/or operating margins from the current levels while maintaining its capital structure through equity infusion. Conversely, the outlook may be revised to "Negative", if company generates lower than anticipated cash accruals thereby impacting its financial risk profile, particularly its liquidity

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	140.38	81.31
PAT	Rs. Cr.	12.07	3.29
PAT Margin	(%)	8.60	4.05
Total Debt/Tangible Net Worth	Times	1.83	7.25
PBDIT/Interest	Times	3.28	1.42

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

Crisil, vide its press release dated Mar 25, 2019 had denoted the rating of Kinjal civilcon LLP as 'Crisil BB-; ISSUER NOT CO-OPERATING, Rating withdrawn' on account of lack of adequate information required for monitoring the ratings. BWR, vide its press release dated Feb 25, 2021 had denoted the rating of Kinjal civilcon LLP as 'BWR B, Withdrawn and issuer not cooperating' on account of lack of adequate information for monitoring the ratings.

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

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

Rating History:

Not applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Bank of Maharashtra	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE B+ Stable Assigned

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in Tanvi Kadam Management Trainee-Rating Operations Tel: 022-49294065 tanvi.kadam@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

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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