

Press Release
Kinjal Civilcon LLP

September 22, 2022

Rating Downgraded



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	25.00	ACUITE C Downgraded	-
Total Outstanding Quantum (Rs. Cr)	25.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has downgraded its long-term rating to '**ACUITE C**' (read as **ACUITE C**) from '**ACUITE B+**' (read as **ACUITE B plus**) on the Rs. 25.00 crore bank facilities of Kinjal civilcon LLP.

Rationale for rating downgrade

The rating downgrade reflects the overdrawings in the cash credit/overdraft account for more than 30 days as per the bankers feedback received.

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

Overdrawing of working capital limits

The liquidity profile of the company is stretched marked by the overdrawings in the cash credit/overdraft facilities for more than 30 days.

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.

Rating Sensitivities

No overdrawings and devolvement in the working capital limits

Material covenants

None

Liquidity Position: Poor

The company has a poor liquidity position marked by the overdrawings in the working capital limits. 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.

Outlook

Not applicable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Provisional)	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)

None

Any other information

Not applicable

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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
23 Jun 2022	Cash Credit	Long Term	25.00	ACUITE B+ Stable (Assigned)

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 C Downgraded

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in Tanvi Kadam Analyst-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

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