

**Press Release**  
**Kinjal Civilcon LLP**

**February 13, 2023**

**Rating Upgraded**



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

**Rating Rationale**

Acuite has upgraded its long term rating to **ACUITE B+ (read as ACUITE B Plus)** from **ACUITE C (read as ACUITE C)** to the Rs. 25 Crore bank facilities of **Kinjal Civilcon LLP (KCL)**. The outlook is 'Stable'.

**Rationale for Rating Upgrade**

The rating has been upgraded basis the improvement in business risk profile and satisfactory banker feedback received . However, the firm' financial risk profile continues to remain modest marked by low networth, moderate gearing coupled with modest coverage indicators. Further, the firm has working capital intensive nature of operations and stretched liquidity position as reflected in its continuous high utilisation of bank limits. Going forward significant improvement in the scale of operations while maintaining profitability or reduction in working capital cycle improving its liquidity profile will be a key monitorable.

**About the Company**

Mumbai based Kinjal Civilcon LLP was incorporated as a partnership firm in 2019 by Mr. Heeralal Doshi, Mr. Divyesh Doshi, Mr. Sadashiv Shetty, Mr. Ashokkumar Bafna, Mr. Sogaram Dewasi, Mrs. Kinjal Salecha and Miss. Divya Doshi. The firm is engaged in construction of buildings, flyovers, etc.

**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. 131.73 Cr in FY22 as against Rs. 81.31 Cr in FY21. The revenue of the firm has increased by ~62 percent as the firm received more contracts from the MCGM. The firm has an order book of approximately Rs. 1000 Cr as on January 2023 which is expected to be completed in next 2-3 years. The operating margin of

the firm deteriorated significantly to 11.98 percent in FY22 as against 20.71 percent in FY21 due to increase in steel and cement prices. The PAT margin of the firm deteriorated to 3.28 percent in FY22 as against 4.05 percent in FY21.

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**

- **Modest financial risk profile**

Kinjal Civilcon LLP has a modest financial risk profile marked by low networth, moderate gearing and low coverage indicators. The tangible networth improved and stood at Rs. 29.82 Cr as on March 31, 2022 as against Rs. 12.69 Cr as on March 31, 2021. The increase in the networth in FY22 is due to the accretion of profits to reserves and capital infusion. The firm's overall gearing improved to 2.39 times as on 31 March, 2022 as against 7.25 times as on 31 March, 2021 due to increase in net worth backed by infusion by partners. The total outside liabilities to tangible net worth (TOL/TNW) of the firm improved and stood at 4.19 times as on March 31, 2022 as against 9.66 times as on March 31, 2021. Further, the gearing and TOL/TNW improved in FY22 due to prepayment of debt. The coverage indicators of the company remained moderate with Interest Coverage Ratio (ICR) of 1.81 times in FY22 as against 1.42 times in FY21. The NCA/TD stood at 0.07 times in FY22 as against 0.04 times in FY21.

Acuite expects the financial risk profile to remain modest over the medium term.

- **Working Capital Intensive Nature of Operations**

Kinjal Civilcon LLP has working capital intensive nature of operations marked by improved yet high GCA days of 266 days as on March 31, 2022 as against 383 days as on March 31, 2021. The inventory days improved to 39 days in FY22 as against 62 days in FY21. The debtor days deteriorated to 91 days in FY22 as against 76 days in FY21 due to delayed payments from Government department. The firm derives its working capital support from creditors and fund based limits from the bank. The creditor days stood at 209 days in FY22 as against 185 days in FY21. The average utilization of the fund based bank limits of the firm remained at 95-100 percent for six months period ended December' 22 and that of non-fund based limits remained at 80-85 percent for six months period ended December' 22.

Acuite believes that the company's ability to improve its working capital cycle will remain a key rating sensitivity.

- **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**

- Improving scale of operations while maintaining profitability margins
- Further Elongation of working capital cycle
- Further deterioration in liquidity position

### **Material covenants**

None

### **Liquidity Position Stretched**

The firm's liquidity position is stretched marked by modest net cash accruals as against its maturing debt obligations. The firm generated net cash accruals of Rs. 3-6 Cr in FY21-22 as against maturing debt obligations of around Rs. 34 Cr for the same period. The gap was filled

by capital infusion. The company is expected to generate net cash accruals of Rs. 13-17 Cr in FY23-24 as against maturing debt obligations of Rs. 5-16 Cr over the same period. The company's reliance on working capital is very high. The average fund based bank limits utilization of the firm remained at 95-100 percent for six months period ended December' 22 and that of non-fund based limits remained at 80-85 percent for six months period ended December' 22. Furthermore, the firm maintained unencumbered cash and bank balances of Rs. 3.90 Cr as on March 31, 2022. The current ratio stood moderate at 1.25 times as on March 31, 2022.

### Outlook: Stable

Acuité believes that KCL will maintain a 'Stable' outlook over medium term on account of experience of its management, and improvement in business risk profile. The outlook may be revised to 'Positive' in case the Company achieves higher than expected improvement in its scale of operations while maintaining its profitability and is able to efficiently manage its working capital operations. Conversely, the outlook may be revised to 'Negative' in case of slower than expected growth in scale of operations or any further elongation in its working capital cycle impacting its liquidity profile.

### Other Factors affecting Rating

None

### Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	131.73	81.31
PAT	Rs. Cr.	4.32	3.29
PAT Margin	(%)	3.28	4.05
Total Debt/Tangible Net Worth	Times	2.39	7.25
PBDIT/Interest	Times	1.81	1.42

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

CRISIL vide its Press Release dated 25/3/19 declared Kinjal Civilcon LLP as "Issuer Not Cooperating"

### Any other information

None

### Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector:- <https://www.acuite.in/view-rating-criteria-59.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, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité'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](http://www.acuite.in)

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
22 Sep 2022	Cash Credit	Long Term	25.00	ACUITE C (Downgraded from ACUITE B+   Stable)
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	Complexity Level	Quantum (Rs. Cr.)	Rating
Bank of Maharashtra	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	25.00	ACUITE B+   Stable   Upgraded

## Contacts

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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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