



Press Release
KINJAL CIVILCON LLP
June 20, 2023
Rating Assigned and Downgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	8.08	ACUITE C Assigned	-
Bank Loan Ratings	25.00	ACUITE C Downgraded	-
Bank Loan Ratings	11.43	ACUITE D Assigned	-
Bank Loan Ratings	17.77	-	ACUITE A4 Assigned
Bank Loan Ratings	30.28	-	ACUITE D Assigned
Total Outstanding Quantum (Rs. Cr)	92.56	-	-

Rating Rationale

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

Acuite has assigned the long-term rating of '**ACUITE C**' (read as **ACUITE C**) and '**ACUITE A4**' (read as **ACUITE A four**) to the Rs.25.85 Cr bank facilities of Kinjal Civilcon LLP (KCL).

Acuite has assigned the long-term rating of '**ACUITE D**' (read as **ACUITE D**) to the Rs.41.71 Cr bank facilities of Kinjal Civilcon LLP (KCL).

Rationale for rating downgrade

The rating downgrade reflects the irregularities in timely servicing of debt repayment obligations as per the feedback received from the bankers.

About the Company

Mumbai based KCL 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 KCL to arrive at the rating.

Key Rating Drivers

Strengths

Improvement in operating income and profitability

KCL reported an increase in its revenues of Rs.146 Cr for FY2023 (Provisional) against Rs.132 Cr in FY2022 and Rs.81 Cr in FY2021. Further, the unexecuted orderbook stood at Rs. 1018 Cr as of April 30, 2023, which is expected to be executed over the next two to three years, thus

providing medium term revenue visibility. The operating profitability of the firm is generally range bound between 12 to 14 percent every year. Further, the net profit margin of the firm

stood at 4.10 percent in FY2023 (Provisional) against 3.28 percent in FY2022.

Weaknesses

Delays in timely servicing of debt obligations

Delays in servicing of debt obligation were reported by the bankers of the firm. Delays were observed in servicing of secured overdraft facility and term loan repayments and interest obligations.

Below average financial risk profile

Financial risk profile of KCL is below average marked by low networth, moderate gearing and low debt protection metrics. The tangible net worth of the firm stood declined at ~Rs.27.64 Cr as on 31 March, 2023 (Provisional) as against Rs.29.82 Cr as on 31 March, 2022 due to capital withdrawal made by the partners worth ~Rs.8 Cr during the year. The accretion to reserves was ~Rs.5.97 Cr. The gearing (debt-equity) therefore remained moderate at of 2.20 times as on 31 March, 2023 (Provisional) as against 2.39 times as on 31 March, 2022 despite of reduced debt levels during the year. The total debt of Rs.61 Cr as on 31 March, 2023 (Provisional) consists of long term bank borrowings of Rs.18 Cr, short term bank borrowings of Rs.35 Cr and unsecured loans from directors of Rs.8 Cr.

The coverage indicators of the firm remained modest with interest coverage ratio and DSCR at 1.99 times and 0.66 times for FY2023 (Provisional) as against 1.81 times and 0.33 times for FY2022. The Net Cash Accruals to Total debt stood at 0.12 times for FY2023 (Provisional) as against 0.07 times for FY2022. The Total outside liabilities to Tangible stood high at 5.11 times for FY2023 (Provisional) as against 4.19 times for FY2022. The Debt-EBITDA ratio stood at 2.97 times for FY2023 (Provisional) as against 4.15 times for FY2022.

Acuité believes that ability of KCL to improve its financial risk profile over the medium term will remain a key rating sensitivity factor.

Working capital intensive nature of operations

The operations of KCL are working capital intensive marked by its Gross Current Assets (GCA) days of 247 days for FY2023 (Provisional) as against 266 days for FY2022. This is primarily on account of its receivable cycle which though remains elongated however recorded an improvement of 155 days in FY2023 (Provisional) as against 171 days in FY2022. The high receivable cycle is due to delayed payments from the government departments. This makes the company dependent on bank borrowings for its working capital requirement. The average bank limit utilization for 6 months' period ended May 2023 stood high at ~96 percent. Further, the inventory cycle of the firm stood at 34 days in FY2023 (Provisional) as against 39 days in FY2022 whereas the creditors cycle stood at 194 days in FY2023 (Provisional) as against 209 days in FY2022.

Acuité believes that ability of KCL to improve its working capital cycle over the medium term will remain a key rating sensitivity factor.

Rating Sensitivities

- Ability to improve financial risk profile
- Ability to improve working capital cycle
- Timely completion of work orders without any significant delays
- Timely servicing of debt repayment obligations

Material covenants

None

Liquidity Position - Poor

KCL has poor liquidity profile marked by instances of delays in servicing of debt repayment obligations. The firm generated cash accruals in the range of Rs.4 Cr to Rs.7 Cr during FY2021 to FY2023 (Provisional) against its repayment obligation in the range of Rs.9 Cr to Rs.35 Cr during the same period. The average bank limit utilization for 6 months' period ended May 2023 stood high at ~96 percent.

Outlook

Not applicable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	145.59	131.73
PAT	Rs. Cr.	5.97	4.32
PAT Margin	(%)	4.10	3.28
Total Debt/Tangible Net Worth	Times	2.20	2.39
PBDIT/Interest	Times	1.99	1.81

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

Not applicable

Any other information

None

Applicable Criteria

- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.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
13 Feb 2023	Cash Credit	Long Term	25.00	ACUITE B+ Stable (Upgraded from ACUITE C)
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	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	17.77	ACUITE A4 Assigned
Abhyudaya Cooperative Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	30.28	ACUITE D Assigned
Bank of Maharashtra	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	25.00	ACUITE C Downgraded (from ACUITE B+)
Saraswat Bank	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	2.01	ACUITE D Assigned
Cholamandalam Investment Finance Company Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.23	ACUITE C Assigned
Cholamandalam Investment Finance Company Ltd.	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.25	ACUITE C Assigned
ICICI Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	2.36	ACUITE C Assigned
ICICI Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.42	ACUITE C Assigned
ICICI Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.06	ACUITE C Assigned
ICICI Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.36	ACUITE C Assigned
ICICI Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	0.66	ACUITE C Assigned
Abhyudaya Cooperative Bank	Not Applicable	Term Loan	Not available	Not available	Not available	Simple	9.42	ACUITE D Assigned
Bank of Maharashtra	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	3.74	ACUITE C Assigned

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About Acuité Ratings & Research

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