

Press Release

KINJAL CIVILCON LLP

September 16, 2024

Rating Reaffirmed and Upgraded



Product	Quantum (Rs. Cr)	Long Term Rating	Short Term
Bank Loan Ratings	44.28	ACUITE B+ Stable Upgraded	-
Bank Loan Ratings	18.00	-	ACUITE A4 Reaffirmed
Bank Loan Ratings	30.28	-	ACUITE A4 Upgraded
Total Outstanding Quantum (Rs. Cr)	92.56	-	-

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. 42.27 Cr. bank facilities of Kinjal Civilcon LLP (KCL). The outlook is 'Stable'.

Acuite has upgraded its long term rating to 'ACUITE B+' (read as ACUITE B Plus) from 'ACUITE D' (read as ACUITE D) to the Rs. 2.01 Cr. bank facilities of Kinjal Civilcon LLP (KCL). The outlook is 'Stable'.

Acuite has upgraded its short term rating to 'ACUITE A4' (read as ACUITE A four) from 'ACUITE D' (read as ACUITE D) to the Rs. 30.28 Cr. bank facilities of Kinjal Civilcon LLP (KCL).

Acuite has reaffirmed its short term rating to 'ACUITE A4' (read as ACUITE A four) to the Rs. 18.00 Cr. bank facilities of Kinjal Civilcon LLP (KCL).

Rationale for Rating Upgrade

The rating has been upgraded basis the improvement in business risk profile and regularization of banking conduct by the company. The firm's financial risk profile continues to remain average marked by low net worth, moderate gearing coupled with modest coverage indicators. Further, the firm has stretched liquidity position as reflected in its continuous high utilisation of bank limits. Going forward maintaining the scale of operations while improving the capital structure or reduction in working capital cycle and improvement in its liquidity profile will be key monitorables.

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.

Unsupported Rating

Not Applicable

Analytical Approach

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

Key Rating Drivers

Strengths

Augmentation in scale and healthy unexecuted order book

The operating income of the firm improved to Rs. 209.95 Cr. for FY24 (Provisional) against Rs.144.79 Cr. in FY23 reflecting a YoY growth of ~45%. This is primarily on account of its healthy execution of order book. The operating margin of the firm stood at 11.13 percent in FY24 (Provisional) against 13.29 percent in FY23. 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 3.95 percent in FY24 (Provisional) against 4.01 percent in FY23.

The firm has unexecuted order book of Rs. 840.65 Cr. as on June 30, 2024, is expected to be executed over the next two to three years which provides adequate revenue visibility over the medium term. However, top four orders comprise of ~90 percent of the total order book and timely completion of these orders without any significant delays will remain a key monitorable.

Weaknesses

Average financial risk profile

Financial risk profile of KCL is average marked by low net worth, moderate gearing and low debt protection metrics. The tangible net worth of the firm improved and stood at Rs.37.45 Cr. as on 31 March 2024 (Provisional) as against Rs. 26.46 Cr. as on 31 March 2023. The gearing (debt-equity) therefore improved and stood at 1.58 times as on 31 March 2024 (Provisional) as against 2.34 times as on 31 March 2023. The total debt stood at Rs. 59.19 Cr. in FY24 (Provisional) as against Rs. 62.04 Cr. in FY23. The coverage indicators of the firm remained moderate with interest coverage ratio and DSCR at 2.35 times and 1.11 times for FY24 (Provisional) as against 2.00 times and 0.66 times for FY23. Acuité expects the financial risk profile to remain modest over the medium term.

Working capital Intensive nature of operations

Working capital intensive nature of operations is marked by its Gross Current Assets (GCA) days of 168 days for FY24 (Provisional) which stood improved as against 248 days for FY23. The receivable cycle which though remains elongated however recorded an improvement of 107 days in FY24 (Provisional) as against 151 days in FY23. This makes the company dependent on bank borrowings for its working capital requirement. The average fund-based bank limit utilization for 6 months' period ended August 2024 stood high at ~99.28 percent. Further, the inventory cycle of the firm stood improved at 35 days in FY24 (Provisional) as against 44 days in FY23 whereas the creditors cycle stood at 167 days in FY24 (Provisional) as against 221 days in FY23. Acuité believes that the company's ability to improve its working capital cycle will remain a key rating sensitivity.

Rating Sensitivities

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

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 cash accruals of Rs. 9.76 Cr. during FY24 (Provisional) against its repayment obligation of Rs. 7.79 Cr. during the same period. The average fund-based bank limit utilization for 6 months' period ended August 2024 stood high at ~99.28 percent. Furthermore, the firm maintained cash and bank balances of Rs. 1.01 Cr. as on March 31, 2024 (Prov.). The current ratio stood moderate at 1.10 times as on March 31, 2024 (Prov.).

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 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	209.95	144.79
PAT	Rs. Cr.	8.30	5.81
PAT Margin	(%)	3.95	4.01
Total Debt/Tangible Net Worth	Times	1.58	2.34
PBDIT/Interest	Times	2.35	2.00

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

Not applicable

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

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
20 Jun 2023	Cash Credit	Long Term	25.00	ACUITE C (Downgraded from ACUITE B+ Stable)
	Working Capital Term Loan	Long Term	3.74	ACUITE C (Assigned)
	Term Loan	Long Term	9.42	ACUITE D (Assigned)
	Secured Overdraft	Long Term	2.01	ACUITE D (Assigned)
	Term Loan	Long Term	0.23	ACUITE C (Assigned)
	Term Loan	Long Term	0.25	ACUITE C (Assigned)
	Term Loan	Long Term	2.36	ACUITE C (Assigned)
	Term Loan	Long Term	0.42	ACUITE C (Assigned)
	Term Loan	Long Term	0.06	ACUITE C (Assigned)
	Term Loan	Long Term	0.36	ACUITE C (Assigned)
	Term Loan	Long Term	0.66	ACUITE C (Assigned)
	Bank Guarantee/Letter of Guarantee	Short Term	17.77	ACUITE A4 (Assigned)
	Bank Guarantee/Letter of Guarantee	Short Term	30.28	ACUITE D (Assigned)
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 avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	18.00	ACUITE A4 Reaffirmed
Abhyudaya Cooperative Bank	Not avl. / Not appl.	Bank Guarantee/Letter of Guarantee	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	30.28	ACUITE A4 Upgraded (from ACUITE D)
Bank of Maharashtra	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	25.00	ACUITE B+ Stable Upgraded (from ACUITE C)
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	9.51	ACUITE B+ Stable Upgraded (from ACUITE C)
Saraswat Bank	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.01	ACUITE B+ Stable Upgraded (from ACUITE D)
Cholamandalam Investment Finance Company Ltd.	Not avl. / Not appl.	Term Loan	25 Mar 2022	Not avl. / Not appl.	25 Mar 2027	Simple	0.16	ACUITE B+ Stable Upgraded (from ACUITE C)
Cholamandalam Investment Finance Company Ltd.	Not avl. / Not appl.	Term Loan	25 Mar 2022	Not avl. / Not appl.	25 Mar 2027	Simple	0.17	ACUITE B+ Stable Upgraded (from ACUITE C)
ICICI Bank Ltd	Not avl. / Not appl.	Term Loan	22 Nov 2021	Not avl. / Not appl.	22 Nov 2026	Simple	1.56	ACUITE B+ Stable Upgraded (from ACUITE C)
ICICI Bank Ltd	Not avl. / Not appl.	Term Loan	25 Jan 2022	Not avl. / Not appl.	25 Jan 2027	Simple	0.28	ACUITE B+ Stable Upgraded (from ACUITE C)
	Not avl. /		25 Jan	Not avl.	25 Jan			ACUITE B+ Stable Upgraded

ICICI Bank Ltd	Not appl.	Term Loan	2022	/ Not appl.	2027	Simple	0.04	(from ACUITE C)
ICICI Bank Ltd	Not avl. / Not appl.	Term Loan	31 Aug 2022	Not avl. / Not appl.	31 Aug 2027	Simple	0.26	ACUITE B+ Stable Upgraded (from ACUITE C)
ICICI Bank Ltd	Not avl. / Not appl.	Term Loan	07 Oct 2022	Not avl. / Not appl.	31 Oct 2027	Simple	0.49	ACUITE B+ Stable Upgraded (from ACUITE C)
Kotak Mahindra Bank	Not avl. / Not appl.	Term Loan	08 May 2024	Not avl. / Not appl.	15 Mar 2028	Simple	0.52	ACUITE B+ Stable Upgraded (from ACUITE C)
Cholamandalam Investment Finance Company Ltd.	Not avl. / Not appl.	Term Loan	15 Jan 2024	Not avl. / Not appl.	15 Nov 2027	Simple	0.36	ACUITE B+ Stable Upgraded (from ACUITE C)
Cholamandalam Investment Finance Company Ltd.	Not avl. / Not appl.	Term Loan	15 Feb 2024	Not avl. / Not appl.	15 Dec 2027	Simple	0.36	ACUITE B+ Stable Upgraded (from ACUITE C)
Cholamandalam Investment Finance Company Ltd.	Not avl. / Not appl.	Term Loan	15 Feb 2024	Not avl. / Not appl.	15 Dec 2027	Simple	0.24	ACUITE B+ Stable Upgraded (from ACUITE C)
Bank of Maharashtra	Not avl. / Not appl.	Working Capital Term Loan	31 Mar 2022	Not avl. / Not appl.	31 Mar 2027	Simple	3.32	ACUITE B+ Stable Upgraded (from ACUITE C)

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in Nidhi Gala Associate Analyst-Rating Operations Tel: 022-49294065 nidhi.gala@acuite.in	Varsha Bist Associate Vice President-Rating Administration 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.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité. Please visit <https://www.acuite.in/faqs.htm> to refer FAQs on Credit Rating.