



Press Release
KINJAL CIVILCON LLP
March 20, 2025
Rating Downgraded, Reaffirmed and Withdrawn

| Product | Quantum (Rs. Cr) | Long Term Rating | Short Term Rating |
|---|------------------|----------------------------|------------------------|
| Bank Loan Ratings | 32.00 | ACUITE C Downgraded | - |
| Bank Loan Ratings | 15.28 | Not Applicable Withdrawn | - |
| Bank Loan Ratings | 45.28 | - | ACUITE A4 Reaffirmed |
| Total Outstanding Quantum (Rs. Cr) | 77.28 | - | - |
| Total Withdrawn Quantum (Rs. Cr) | 15.28 | - | - |

Rating Rationale

Acuite has downgraded the long-term rating to 'ACUITE C' (read as ACUITE Cf) from 'ACUITE B+' (read as ACUITE B plus) on the Rs. 32.00 Cr. bank facilities of Kinjal Civilcon LLP (KCL). Further, Acuite has reaffirmed the short-term rating of 'ACUITE A4' (read as ACUITE A four) on the Rs. 45.28 Cr. bank facilities of Kinjal Civilcon LLP (KCL).

Acuite has withdrawn the long-term rating on the Rs. 15.28 Cr. bank facilities of Kinjal Civilcon LLP (KCL) without assigning any rating as it is a proposed facility. The withdrawal is in accordance with Acuite's policy on withdrawal of rating as applicable to the respective facility / instrument. The rating is being withdrawn on account of request received from the company.

Rationale for rating downgrade

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

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 a civil contractor engaged in the construction of buildings, flyovers, and various infrastructure projects.

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

Satisfactory operating performance with comfortable order book

The operating income of the firm improved to Rs. 211.29 Cr. for FY24 against Rs. 144.79 Cr. in FY23 reflecting a

growth of 45.93% in FY24, further, the firm has reported revenue of Rs. 164.63 Cr. in 11MFY25 and is expected to book revenue at the similar levels with FY24. The operating margin of the firm stood at 10.89 percent in FY24 against 13.29 percent in FY23. The operating profitability of the firm is generally range bound between 10 to 14 percent every year. Further, the net profit margin of the firm stood at 3.76 percent in FY24 against 4.01 percent in FY23. The firm has unexecuted order book of Rs.671.62 Cr. as on January 31, 2025, as compared to Rs. 840.65 Cr. as on June 30, 2024. However, the order execution risk remains high since top four orders comprise of ~90 percent of the total order book and timely completion of these orders without any significant delays will remain highly monitorable.

Weaknesses

Delays in timely servicing of debt obligations

Delays in servicing of debt obligation were recognised based on the written feedback received from banker. Delays were observed in Working Capital Term Loan for more than 30 days in the month of March, April, May and June 2024.

Average Financial risk profile

Financial risk profile of KCL is average marked by low net worth, moderate gearing and moderate debt protection metrics. The tangible net worth of the firm improved and stood at Rs.37.73 Cr. as on 31 March 2024 as against Rs. 26.46 Cr. as on 31 March 2023 due to accretion of profit to reserves and infusion of partners' capital. The gearing (debt-equity) therefore improved and stood at 1.59 times as on 31 March 2024 as against 2.34 times as on 31 March 2023. The total debt stood at Rs. 59.90 Cr. in FY24 as against Rs. 62.04 Cr. in FY23. The total debt of Rs. 59.90 Cr. as on 31 March 2024 consists of long-term bank borrowings of Rs. 5.67 Cr, short term bank borrowings of Rs.39.03 Cr. and unsecured loans from directors of Rs.9.70 Cr. and CPLTD of Rs. 5.50 Cr. The coverage indicators of the firm remained moderate with interest coverage ratio and DSCR at 2.33 times and 1.09 times for FY24 as against 2.00 times and 0.66 times for FY23 respectively. The Net Cash Accruals to Total debt stood at 0.16 times for FY24 as against 0.12 times for FY23. The Total outside liabilities to Tangible net worth stood high at 4.28 times for FY24 as against 5.44 times for FY23. The Debt-EBITDA ratio stood improved at 2.46 times for FY24 as against 3.01 times for FY23. 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

Firm's working capital intensive nature of operations is marked by its Gross Current Assets (GCA) of 192 days for FY24 as against 248 days for FY23. The receivable cycle which though remains elongated however recorded an improvement of 118 days in FY24 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 February 2025 stood high at ~94.24 percent. Further, the inventory cycle of the firm stood at 31 days in FY24 as against 44 days in FY23 whereas the creditors cycle stood at 184 days in FY24 as against 205 days in FY23. 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

- Timely repayment of debt obligations
- Changes in financial risk profile
- Elongation in working capital cycle

Liquidity Position

Stretched

The firm generated cash accruals of Rs. 9.41 Cr. during FY24 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 February 2025 stood high at ~94.24 percent. Further, there were delays observed in servicing of term debt in the recent past. The firm has cash and bank balance of Rs. 1.00 Cr. as on 31st March 2024. The current ratio stood at 1.00 times as on 31st March 2024.

Outlook: Not Applicable

Other Factors affecting Rating

None

Key Financials

| Particulars | Unit | FY 24 (Actual) | FY 23 (Actual) |
|-------------------------------|---------|----------------|----------------|
| Operating Income | Rs. Cr. | 211.29 | 144.79 |
| PAT | Rs. Cr. | 7.95 | 5.81 |
| PAT Margin | (%) | 3.76 | 4.01 |
| Total Debt/Tangible Net Worth | Times | 1.59 | 2.34 |
| PBDIT/Interest | Times | 2.33 | 2.00 |

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

Not Applicable

Interaction with Audit Committee anytime in the last 12 months (applicable for rated-listed / proposed to be listed debt securities being reviewed by Acuite)

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, Acuité 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 |
|-------------|------------------------------------|------------|-----------------|---|
| 16 Sep 2024 | Bank Guarantee/Letter of Guarantee | Short Term | 18.00 | ACUITE A4 (Reaffirmed) |
| | Bank Guarantee/Letter of Guarantee | Short Term | 30.28 | ACUITE A4 (Upgraded from ACUITE D) |
| | Term Loan | Long Term | 0.52 | ACUITE B+ Stable (Upgraded from ACUITE C) |
| | Term Loan | Long Term | 1.56 | ACUITE B+ Stable (Upgraded from ACUITE C) |
| | Term Loan | Long Term | 0.49 | ACUITE B+ Stable (Upgraded from ACUITE C) |
| | Working Capital Term Loan | Long Term | 3.32 | ACUITE B+ Stable (Upgraded from ACUITE C) |
| | Proposed Long Term Bank Facility | Long Term | 9.51 | ACUITE B+ Stable (Upgraded from ACUITE C) |
| | Term Loan | Long Term | 0.16 | ACUITE B+ Stable (Upgraded from ACUITE C) |
| | Term Loan | Long Term | 0.17 | ACUITE B+ Stable (Upgraded from ACUITE C) |
| | Term Loan | Long Term | 0.36 | ACUITE B+ Stable (Upgraded from ACUITE C) |
| | Term Loan | Long Term | 0.36 | ACUITE B+ Stable (Upgraded from ACUITE C) |
| | Term Loan | Long Term | 0.24 | ACUITE B+ Stable (Upgraded from ACUITE C) |
| | Cash Credit | Long Term | 25.00 | ACUITE B+ Stable (Upgraded from ACUITE C) |
| | Secured Overdraft | Long Term | 2.01 | ACUITE B+ Stable (Upgraded from ACUITE D) |
| | Term Loan | Long Term | 0.28 | ACUITE B+ Stable (Upgraded from ACUITE C) |
| | Term Loan | Long Term | 0.04 | ACUITE B+ Stable (Upgraded from ACUITE C) |
| | Term Loan | Long Term | 0.26 | ACUITE B+ Stable (Upgraded from ACUITE C) |
| 20 Jun 2023 | Bank Guarantee/Letter of Guarantee | Short Term | 17.77 | ACUITE A4 (Assigned) |
| | 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 | 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) |
| | Term Loan | Long Term | 9.42 | ACUITE D (Assigned) |
| | Secured Overdraft | Long Term | 2.01 | ACUITE D (Assigned) |
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|-------------|------------------------------------|------------|-------|---|
| | 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 | Quantum (Rs. Cr.) | Complexity Level | 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. | 17.76 | Simple | 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. | 27.52 | Simple | ACUITE A4 Reaffirmed |
| Bank of Maharashtra | Not avl. / Not appl. | Cash Credit | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | 25.00 | Simple | ACUITE C Downgraded (from ACUITE B+) |
| Not Applicable | Not avl. / Not appl. | Proposed Long Term Bank Facility | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | 15.28 | Simple | Not Applicable Withdrawn |
| Saraswat Bank | Not avl. / Not appl. | Secured Overdraft | Not avl. / Not appl. | Not avl. / Not appl. | Not avl. / Not appl. | 0.88 | Simple | ACUITE C Downgraded (from ACUITE B+) |
| Cholamandalam Investment Finance Company Ltd. | Not avl. / Not appl. | Term Loan | 25 Mar 2022 | Not avl. / Not appl. | 25 Mar 2027 | 0.14 | Simple | ACUITE C Downgraded (from ACUITE B+) |
| Cholamandalam Investment Finance Company Ltd. | Not avl. / Not appl. | Term Loan | 25 Mar 2022 | Not avl. / Not appl. | 25 Mar 2027 | 0.13 | Simple | ACUITE C Downgraded (from ACUITE B+) |
| ICICI Bank Ltd | Not avl. / Not appl. | Term Loan | 22 Nov 2021 | Not avl. / Not appl. | 22 Nov 2026 | 1.18 | Simple | ACUITE C Downgraded (from ACUITE B+) |
| ICICI Bank Ltd | Not avl. / Not appl. | Term Loan | 25 Jan 2022 | Not avl. / Not appl. | 25 Jan 2027 | 0.21 | Simple | ACUITE C Downgraded (from ACUITE B+) |
| ICICI Bank Ltd | Not avl. / Not appl. | Term Loan | 25 Jan 2022 | Not avl. / Not appl. | 25 Jan 2027 | 0.03 | Simple | ACUITE C Downgraded (from ACUITE B+) |
| ICICI Bank Ltd | Not avl. / Not appl. | Term Loan | 31 Aug 2022 | Not avl. / Not appl. | 31 Aug 2027 | 0.22 | Simple | ACUITE C Downgraded (from ACUITE B+) |
| ICICI Bank Ltd | Not avl. / Not appl. | Term Loan | 07 Oct 2022 | Not avl. / Not appl. | 31 Oct 2027 | 0.42 | Simple | ACUITE C Downgraded (from ACUITE B+) |
| Kotak Mahindra Bank | Not avl. / Not appl. | Term Loan | 08 May 2024 | Not avl. / Not appl. | 15 Mar 2028 | 0.45 | Simple | ACUITE C Downgraded (from ACUITE B+) |
| Cholamandalam Investment Finance Company Ltd. | Not avl. / Not appl. | Term Loan | 15 Jan 2024 | Not avl. / Not appl. | 15 Nov 2027 | 0.30 | Simple | ACUITE C Downgraded (from ACUITE B+) |
| Cholamandalam | Not | | | Not avl. | | | | ACUITE C |

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|---|----------------------|---------------------------|-------------|----------------------|-------------|------|--------|--|
| Investment Finance Company Ltd. | avl. / Not appl. | Term Loan | 15 Feb 2024 | / Not appl. | 15 Dec 2027 | 0.31 | Simple | Downgraded (from ACUITE B+) |
| Cholamandalam Investment Finance Company Ltd. | Not avl. / Not appl. | Term Loan | 15 Feb 2024 | Not avl. / Not appl. | 15 Dec 2027 | 0.21 | Simple | ACUITE C Downgraded (from ACUITE B+) |
| Bank of Maharashtra | Not avl. / Not appl. | Working Capital Term Loan | 31 Mar 2022 | Not avl. / Not appl. | 31 Mar 2027 | 2.52 | Simple | ACUITE C Downgraded (from ACUITE B+) |

Contacts

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