



Press Release
KMC CONSTRUCTIONS LIMITED
May 12, 2025
Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	237.43	ACUITE BBB- Stable Assigned	-
Bank Loan Ratings	362.57	-	ACUITE A3 Assigned
Total Outstanding Quantum (Rs. Cr)	600.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has assigned its long-term rating of '**ACUITE BBB-**' (read as **ACUITE Triple B minus**) and short-term rating of '**ACUITE A3**' (read as **ACUITE A Threeo**) on the Rs. 600.00 Cr. bank facilities of KMC Constructions Limited (KMCL). The outlook is '**Stable**'.

Rating Rationale Assigned

The rating assigned reflects KMCL's established operational track record of more than five decades, along with extensive experience of its management in the EPC industry. Further, the rating factors in the expected improvement in revenue in FY2025, post decline in FY2024 coupled with moderate order book position and moderate financial risk profile. However, the above-mentioned strengths are constrained by intensive working capital management and exposure to competitive industry dynamics and input price volatility.

About the Company

Incorporated in 1993 and registered in Hyderabad, KMC Constructions Limited is engaged in business of infrastructure development and execution of various infrastructure projects in roads, buildings, and bridges including construction and development of road projects for central and state government. The directors include Mr. Amudala Sreeramulu Nageswar Rao, Ms. Mekapati Sri Kirti, Mr. Pruthvi Kumar Reddy Mekapati, Mr. Shujaat Ghousuddin Khan and Mr. Latike Narasimha Rao.

Unsupported Rating

Not Applicable

Analytical Approach

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

Key Rating Drivers

Strengths

Established track record of operations led by extensive management experience

KMC Constructions Limited (KMCL) established in 1970 as a partnership firm was subsequently converted into a public limited company in 1994. The company has over five decades of experience in executing infrastructure projects such as roads, highways, airport runways, and bridges using Build- Operate-Transfer (BOT), Design-Build-Finance-Operate-Transfer (DBFOT), and Engineering Procurement & Construction (EPC) models. The company

has two subsidiaries- KMC Infratech Limited (KMCIL-wholly owned subsidiary) and Calicut Expressway Limited (Holding of 51%). KMCCL secures contracts from government and public sector organizations including National Highway Authority of India (NHAI), Kerala State Transport Project (KSTP), Bangalore Development Authority (BDA), Ministry of Nepal etc. The company's long operational track record has helped it establish healthy relationships with customers and suppliers. Acuité believes that the management's extensive industry experience will support the company's performance and

growth over medium term.

Expected improvement in revenue in FY2025, post decline in FY2024 coupled with moderate order book position

KMCCL derives its revenue primarily through a mix of Build-Operate-Transfer (BOT) model projects, Engineering, Procurement and Construction (EPC) contracts and back-to-back subcontracting arrangements. During FY2024, ~56% of the company's operating income was generated from BOT and EPC projects, with remaining contribution coming from subcontracting.

As on February 28th 2025, KMCCL has an executable order book of Rs. 2,702 Cr. which provides moderate revenue visibility over medium term. ~38% of order book relates to own orders of KMCCL whereas 62% relate to back-to-back subcontracting.

The company reported a decline in operating income to Rs. 1,070.31 Cr. in FY2024 compared to Rs. 1,225.72 Cr. in FY2023 and Rs. 960.26 Cr. in FY2022. The decline in revenue was on the account of Calicut Expressway Private Limited (HAM project) where work valued at ~Rs. 200 Cr was recorded as work-in-progress (WIP) inventory, as the final bill could not be raised during the financial year. In 11MFY2025, KMCCL achieved a revenue of ~Rs. 928 Cr. and expects to close FY2025 at Rs. 1,150 Cr.

Acuite further learns from management that the company has filed claims amounting to Rs. 490 Cr. of which Rs. 414 Cr. has been awarded in its favour by the counterparties. These amounts will be recognised in the financials upon receipt.

KMCCL's operating margin moderated to 8.18% in FY2024 from 8.92% in FY2023. Despite the decline in operating profitability, the company reported an improvement in PAT margin, which stood at 2.61% in FY2024 as against 2.35% in FY2023. The improvement in PAT margin was supported by interest income of Rs. 15.45 Cr. received on awarded claims from NHAI.

Extinguishment of SREI liability

KMCCL entered a One-time Settlement (OTS) agreement with SREI on February 21, 2021, committing to a payment of Rs. 135 Cr. along with interest at 14% p.a. by March 31, 2022. Following the initiation of insolvency proceedings against SREI the insolvency professional (IP) undertook a review of all OTS agreements executed under previous management. Further, SREI submitted its statement of claims on July 20, 2022 and KMCCL filed a statement of defence. The matter was referred to arbitration, which concluded in FY2025 with a NIL award thereby resulting in extinguishment of KMCCL's liability towards SREI.

Moderate Financial Risk Profile

The financial risk profile of the company stood moderate, marked by healthy net worth, moderate gearing (debt-equity) and moderate debt protection metrics. The tangible net worth increased to Rs. 680.31 Cr. as of March 31, 2024, reflecting sustained profitability and an increase from Rs. 652.40 Cr. on March 31, 2023, due to accretion of profits to reserves. The total debt of the company stood at Rs. 830.65 Cr. which includes liability related to SREI of Rs. 225.94 Cr., USL from directors/promoters of Rs. 385.29 Cr. and short-term loans (in terms of CC) of Rs. 219.42 Cr. as on 31 March 2024. However, with extinguishment of SREI liability in FY2025, the debt structure is expected to improve in near term.

The gearing (debt-equity) ratio deteriorated to 1.22 times as on 31 March 2024 as compared to 0.92 times as on 31 March 2023. The debt protection metrics stood moderate where the Interest Coverage Ratio deteriorated to 1.74 times for FY2024 as against 2.02 times for FY2023. Debt Service Coverage Ratio (DSCR) stood at 1.60 times in FY2024 as against 1.79 times in FY2023. Total outside Liabilities/Total Net Worth (TOL/TNW) stood at 2.01 times as on 31 March 2024 as against 1.79 times as on 31 March 2023.

However, KMCCL has significant contingent liability and commitment which will be a key monitorable going forward. The crystallisation of any of these obligations could potentially impact KMCCL's financial profile and liquidity position.

Acuite believes that the financial risk profile of the company will remain healthy backed by steady accruals and absence of any major debt-funded capex, however, the effect of any crystallisation of contingent liability on the overall financial risk profile will remain a key monitorable.

Weaknesses

Intensive working capital management

The working capital management of the company is intensive marked by GCA days of 416 days in FY2024 as against 291 days in FY2023. The elevated GCA days are primarily driven by other current assets including amount due from related parties, group companies and advances to suppliers and sub-contractors aggregating to ~Rs. 291 Cr. The debtor collection period increased to 114 days in FY2024 from 73 days for FY2023, mainly due to delays from the CEPL project and slower inflows from projects in Kerala. However, there has been an improvement in debtor levels during FY2025, with total receivables declining to Rs. 215 Cr. as on December 31, 2024. Inventory days increased to 146 days in FY2024 from 102 days in FY2023 primarily due to the high WIP inventory. Further, the creditors' days increased to 67 days in FY2024 as against 52 days in FY2023.

Acuite expects the working capital operations of the firm to remain moderate on account of the nature of its business over the medium term.

Exposure to competitive industry dynamics and raw materials price volatility

KMCCL operates in a highly competitive industry, characterised by the tender based nature of project awards and exposure to fluctuations in raw material prices. Most of the company's EPC projects have gestation period ranging from 12 to 36 months, during which profitability remains vulnerable to changes in input costs. While the presence of price escalation clauses in the majority of contracts provides a degree of protection against such volatility the risk is not fully eliminated. Further, the company secures projects through a competitive bidding process wherein contracts are typically awarded to the lowest bidder meeting the prescribed eligibility criteria. This competitive pressure can lead to aggressive bidding which in turn may impact the company's profitability margins.

Rating Sensitivities

Improvement in scale of operation while maintaining the profitability margins.

Timely execution of orders.

Consistent increase in order book position.

Improvement in financial risk profile and working capital management.

Liquidity Position**Adequate**

The liquidity position remains adequate, evidenced by moderate net cash accruals against no maturing debt obligations. The company is expected to continue to generate moderate cash accruals in the range of Rs. 26 Cr. to Rs. 40 Cr. over the medium-term. The current ratio stood at 1.87 times as on March 31, 2024, as against 1.54 times as on March 31, 2023. The cash and bank balance as on 31st March 2024 stood at Rs. 50.12 Cr. The company's reliance on working capital borrowings is high marked by average utilization of fund based working capital limits of ~95-99% and that of non-fund based working capital limits of ~58% during the last eleven months period ended February 2025.

Acuite believes that liquidity position of the company will continue to remain adequate with generation of steady cash accruals.

Outlook: Stable**Other Factors affecting Rating**

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	1070.31	1225.72
PAT	Rs. Cr.	27.91	28.80
PAT Margin	(%)	2.61	2.35
Total Debt/Tangible Net Worth	Times	1.22	0.92
PBDIT/Interest	Times	1.74	2.02

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

IVR, vide its press release dated March 21, 2025 had denoted the rating of KMCCL as 'IVR BB+/Negative/IVR A4+ Downgraded & Issuer not cooperating'

ICRA, vide its press release dated November 04, 2024 had denoted the rating of KMCCL as 'ICRA B+/Stable Reaffirmed & Issuer not cooperating'

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 :

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Union Bank of India	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	160.00	Simple	ACUITE A3 Assigned
IDBI Bank Ltd.	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	105.00	Simple	ACUITE A3 Assigned
Canara Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	14.57	Simple	ACUITE A3 Assigned
Axis Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	83.00	Simple	ACUITE A3 Assigned
Union Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	53.00	Simple	ACUITE BBB- Stable Assigned
Axis Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	10.00	Simple	ACUITE BBB- Stable Assigned
Canara Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	19.55	Simple	ACUITE BBB- Stable Assigned
Bank of Baroda	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	70.00	Simple	ACUITE BBB- Stable Assigned
IDBI Bank Ltd.	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	20.00	Simple	ACUITE BBB- Stable Assigned
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	34.88	Simple	ACUITE BBB- Stable Assigned
IDBI Bank Ltd.	Not avl. / Not appl.	Working Capital Demand Loan (WC DL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	30.00	Simple	ACUITE BBB- Stable Assigned

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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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