Press Release

KKSpun India Limited

November 29, 2019

Ratings

Sr. No.	Instrument/Facility	Amount (INR Crore)	Rating Assigned
1	Long Term (Fund based)	144.00	IVR A- / Stable Outlook; (IVR Single A Minus with Stable Outlook)
2	Short term (Non-Fund Based)	476.00	IVR A2+ (IVR A Two Plus)
Total		**620.00**	

Details of facilities are in Annexure 1

Rating Rationale

The rating derives strength from experienced promoters, improved scale of operations & healthy operating profitability, strong order book and wide product profile, reputed client base, improved gearing ratio and favourable Government opportunities. The rating however is constrained by revenue being dominated by tender-based operations and high utilisation of working capital limits.

Key Rating Sensitivities:

- **Upward Rating Factor -** Improvement in entity's scale of operations & adequate cash flow generation may lead to a positive rating action.
- **Downward Rating Factor -** Any adverse change in the Government regulatory and environmental framework or policy or a decline in projects or tenders from Government may lead to a negative rating action.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Experienced Promoters

KKSpun India Limited (KIL) has been in the precast concrete products industry for four decades (as a proprietorship firm before 2006). Key promoter, Mr. Pramod Kumar Gupta has an extensive industry experience of around four decades. He along with his father has been in this business since 1977, under the firm K.K.Spun Pipes, with a single manufacturing unit in Ballabgarh. Mr. Gupta along with his sons – Mr. Himanshu Gupta and Mr. Kavish Gupta look after the finance, marketing, strategy and overall management of the company. Given the promoters' extensive experience, their strong industry association, technical know-how & integrated operations, it has integrated forward by transitioning to become an EDMC (Engineering, designing, manufacturing and construction) player from a pure RCC supplier.

Improved scale of operations & healthy operating profitability

Over a period of last 3 years, the Company's total income from operations kept on increasing gradually, from INR ~370 Crore in FY17 to INR ~400 Crore in FY18 to INR ~432 Crore in FY19, indicating an average growth rate of 8.77%. The EBITDA margin remained healthy at ~15%-16% during the period.

Strong order book and wide product profile

The company manufactures a comprehensive range of precast concrete products, including HDPE (High-density polyethylene)-lined RCC (Reinforced Cement Concrete) pipes, jacking pipes and precast manholes. It is the pioneer in manufacturing jacking pipes with vertically casting method in India and has capability to manufacture pipes with diameter of 150-3600 millimetre. The Company caters to 4 business verticals viz. Manufacturing, Large Water and Irrigation System, Smart Sewerage System and Waste Water Management, Sewer and Storm Rehabilitation.

As on March 31, 2019, the company had a healthy order book worth INR 1,678 Crore; of which POs worth INR 791.58 Crore have already been executed as on July 31, 2019. Balance orders worth INR 886.83 Crore are in process to be executed.

Also, the Company has expected to obtain a large order from M.P. Govt. for the total value of around INR 2000 Crore. They are further targeting to increase their order book by additional INR 3000 Crore by the end of FY20. However, in the projections they have not considered any impact of these additional orders expected to be received during the respective financial year.

Reputed Client base

The promoters having an experience of more than 4 decades in the precast and RCC manufacturing industry, they have established good & continuing relationships with its customers. The sales include sales to some of the established players like Larsen & Tubro

Limited, Pratibha Mosinzhstroi Consortium, Brij Gopal Construction, Sadbhav Construction etc.& various other Govt. projects.

As at March 31, 2019, debtors for more than 3 months are minimal at INR 0.25 Crore& other receivables majorly include for Govt. projects; thereby counter-party risk is mitigated to some extent. They have more than a decade old relationship with the existing customers who ensure repetitive orders.

Improved Gearing ratio

The overall gearing ratio of the Company is comfortable & further improved from 0.89x as at FY18 to 0.86x as at FY19. The Total outside liabilities to Tangible Net Worth of the Company has improved from 2.19x as at FY18 to 2.17x as at FY19. The interest coverage ratio stands strong at 3.26x in FY18 & 3.11x in FY19.

Government opportunities

There is healthy demand driven by increased focus of government on Infrastructure development. KIL undertakes projects launched by Central and State governments under different schemes like AMRUT (Atal Mission for Rejuvenation and Urban Transformation), Namame Gange, Swachh Bharat Mission, National River Linking Project etc. KIL is well placed to benefit from the government's initiatives and schemes on back of its wide product portfolio, a track record of large project execution and healthy execution capabilities.

Key Rating Weaknesses

Revenue dominated by tender-based operations

In FY19, revenue from tender execution accounted for 60-65% of topline whereas revenue from sale of RCC pipes and other precast structures was around 35-40% of topline. Tender-based operations involve intense competition and competitive bidding which may affect its profitability.

Higher utilisation of working capital limit

The working capital requirement of the company is large due to tender-based operations& high operating cycle. The average utilisation remained high at 94% during the 12 months ended August 31, 2019.The Average Operating Cycle of the Company was 78 days as at FY18 & 75 days as at FY19.

Analytical Approach & Applicable Criteria:

- Standalone
- Rating Methodology for manufacturing companies
- Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity

The Company has been earning a comfortable level of GCA for the last few years and the same is expected to increase further with an increase in scale of operations. The company maintains moderate cash and bank balance to meet its liquidity requirements. The utilization of working capital limits remained at 94% during the 12 months ended August 31, 2019. Overall the liquidity position of the company is expected to be Adequate.

About the company

KKSpun India Limited (KIL), established in 2006, promoted by Mr. Pramod Kumar Gupta, is a Delhi-based company manufacturing precast concrete pipes and fittings at its 8 plants spread across India. It is India's largest provider of precast concrete solutions for the Infrastructure Industry. It undertakes Government and private tenders linked to irrigation, sewerage network, and river interception. Operations are managed by Mr. Pramod Kumar Gupta and his sons - Mr. Himanshu Gupta and Mr. Kavish Gupta. They have forward integrated into Engineering, Design, Manufacturing and Construction (EDMC) since 2012.

Their comprehensive precast concrete business extends to include products such as RCC pipes, jacking pipes, shaft and tunnel segments, irrigation pipes etc. It also provides a range of proven precast solutions for Storm water drainage, better sewage, Box culverts solution for instant bridging for pedestrian, fauna, robust solution for agricultural water supply and irrigation needs, kerbing and barrier solution manufactured to local road authority specifications, solutions for catering to the telecom industry as well.

Financials (Standalone)

INR in Crore

For the year ended / As on	31-Mar-18 (A)	31-Mar-19 (A)
Total Operating Income	401.03	431.63
EBITDA	66.23	66.47
PAT	19.61	19.86
Total Debt	119.05	131.17
Tangible Net Worth	133.34	153.20
EBIDTA Margin (%)	16.51	15.40
PAT Margin (%)	4.87	4.57
Overall Gearing ratio (x)	0.89	0.86

* Classification as per Infomerics' standards

Details of Non Co-operation with any other CRA: Brickwork Ratings in its press release published on July 26, 2018 has classified the case under Issuer Not Co-operating status; in the absence of adequate information from the Company, BWR was unable to assess the Company's financial performance and its ability to service its debt and maintain a valid rating. However, as indicated by the Company management, the company did not prolong the mandate after FY-2014.

Any other information: N.A.

Rating History for last three years:

Name of Instrument/ Facility	Current Rating (Year: 2019-20)			Rating History for the past 3 years		
	Type	Amount outstanding (INR Crore)	Rating	Rating assigned in 2018-19	Rating assigned in 2017-18	Rating assigned in 2016-17
Fund Based Facilities	Term Loan	74.00	IVR A-/ Stable Outlook	--	--	--
Fund Based Facilities	Cash Credit (CC)	70.00	IVR A-/ Stable Outlook	--	--	--
Non-Fund Facilities	Bank Guarantee (BG)	424.00	IVR A2+	--	--	--
Non-Fund Facilities	Letter of Credit (LC)	52.00	IVR A2+	--	--	--
	Total	**620.00**				

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

Annexure 1: Details of Facilities

Sr. No.	Name of Facility	Date of Issuance	Coupon Rate/IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
1	Fund Based Term Loan	--	11.75%	April-2025 Jan-2020	74.00	IVR A-/ Stable Outlook
2	Fund Based Cash Credit	--	--	--	70.00	IVR A-/ Stable Outlook
3	Non-Fund Based Bank Guarantee	--	--	--	424.00	IVR A2+
4	Non-Fund Based Letter of Credit	--	--	--	52.00	IVR A2+
Total					**620.00**	