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KCC Agri Logistics (Borivali) Private Limited

April 29, 2024

Ratings

Instrument Facility /	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facility (Term Loan)	97.50	IVR BBB- (CE*)/ Stable (IVR Triple B Minus (Credit Enhancement) with stable Outlook)	Assigned	Complex
Long Term Bank Facility (BG)	2.61	IVR BBB- (CE*)/ Stable (IVR Triple B Minus (Credit Enhancement) with stable Outlook)	Assigned	
Total	100.11	Rupees one hundred crores and eleven lakh only		

*CE Rating based on irrevocable and unconditional corporate guarantee provided by 'KCC Infra Private Limited. (KCIPL)'

Unsupported Rating #	Long Term Bank Facility	IVR BB/Stable (IVR Double B with stable Outlook) Assigned
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Unsupported rating does not factor in the credit enhancement in the form of corporate guarantee from KCC Infra Private Limited

Details of Facilities are in Annexure 1

Detailed Rationale

Infomerics Valuation and Rating Private Limited (IVR) has assigned the long-term rating at IVR BBB- (CE) with a Stable Outlook for the bank loan facilities of KCC Agri Logistics (Borivali) Private Limited (KALBPL).

The rating assignment to the bank facilities of KALBPL, are based on unconditional and irrevocable corporate guarantee given by KCC Infra Private Limited (KCIPL) (rated as IVR BBB-/Stable/IVR A3) which covers the entire rated amount. For assigning the ratings, Infomerics has assessed the attributes of the guarantee issued by KCIPL in favour of lenders who have extended the said facilities. The guarantee is legally enforceable, irrevocable, and unconditional and covers the entire rated amount and tenor of the rated facilities and has a structured payment mechanism defining invocation and payment timelines. The guarantor's



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capability to support the guaranteed amounts is found to be in line with credit profile connoted by the credit ratings assigned.

The rating also draws comfort from expectation of continued support from the experienced KCC Group, assured revenue stream once COD achieved and strong counterparty in the form of Food Corporation of India (FCI). However, these rating strengths are partially offset by project implementation risk-time overrun and cost escalation risk & delay in timely funding arrangement.

The stable outlook indicates a low likelihood of rating change in the medium term. IVR believes that the company risk profile will be maintained over the over the medium term.

Adequacy of Credit Enhancement Structure:

For assigning the ratings, Infomerics has assessed the attributes of the corporate guarantee issued by KCC Infra Limited in favour of lenders who have extended the said facilities. The corporate guarantee results in an enhancement in the rating of the said facilities to IVR BBB-(CE)/ Stable against the unsupported rating of IVR BB/ Stable. The adequacy of credit enhancement has been tested after considering guaranteed debt in the financials of KCC Infra Pvt Ltd. The analysed capital structure and analysed debt protection metrics of KCC Infra Pvt Ltd remained comfortable/adequate.

Transaction Structure

In event of payment default, the following structure will be applicable:

1. T being scheduled due date of payment
2. The Lender will invoke the bank guarantee within T - 2 days.
3. Payment by the guarantor will be made within (T) days.

Infomerics will consider T as its legal final maturity for the purpose of recognition of default.

Key Rating Sensitivities:

Upward Factors

- Significant improvement in the credit profile of KCC Infra Limited.
- Completion of project within the expected timelines and budgeted costs.

Downward Factors

- Deterioration in the credit profile of KCC Infra Limited.
- Delay in project implementation resulting in significant time and cost overruns.



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List of Key Rating Drivers with Detailed Description

IVR has principally relied on the standalone audited financial results of KALBPL and KCC Infra Pvt. Ltd. up to 31 March 2023, projected financials upto FY30 for KALBPL, and publicly available information/ clarifications provided by the company's management.

Key Rating Strengths

Corporate Guarantee from KCC Infra Pvt. Ltd. and expectation of continuous support from KCC Group

KCC Infra Pvt. Ltd. has extended an unconditional and irrevocable corporate guarantee for the rated bank facilities of subsidiary company 'KALBPL'. The parent company (KCIPL) & promoters owns 100% stake in the company. Further, the rating also factors in expectation of continuous support by the KCC group for timely servicing of the debt obligations to the company. Promoters of the company have strong experience in the field of project management and marketing. The parent company 'KCC Infra Private Limited' has long track record of operations and promoted by Mr. Hitesh Jangir and Rupesh Jangir who have more than two decades of experience in the road and project management. The proposed plant is located in Borivali, Maharashtra wherein all the infrastructural facilities, such as Power, Roads & water, are already available.

Satisfactory credit profile of the Corporate Guarantor 'KCIPL'

KCIPL has shown healthy growth in its total revenue at a CAGR of ~37% during FY21 to FY23 and registered y-o-y growth of ~43% in FY23 against FY22. The growth was largely driven by steady execution of contracts by the company supported by consistent order inflow during the aforesaid period. Currently, the company registered revenue of ~Rs 485 Crs in FY24 estimated/prov. KCC Infra has a strong unexecuted order book of around Rs. 1,022.97 as on 29 Feb,2024, which is ~4x of the total operating income reported in FY23. This indicates a satisfactory near to medium term revenue visibility. The company witnessed an improvement in its EBIDTA margin from 9.50% in FY22 to 15.90% in FY23 due to higher focus of the company to execute high margin orders. and subsequently PAT margin of the company has also improved from 4.23% in FY21 to 7.83% in FY23. The debt protection metrics stood comfortable marked by interest service coverage ratio (ISCR) of 5.36x in FY23 (FY22: 4.66x) and debt service coverage ratio of 1.70x in FY23. Total Total debt to EBITDA stood at 1.85x in FY23 (PY:2.74x).

Assured revenue stream on standalone basis once COD achieved and strong counterparty in the form of FCI:

The long-term contract has been executed with Food Corporation of India (FCI) for the storage of food grains in Silos, whereby KALBPL shall receive rentals from FCI for a period of 30 years, provides revenue visibility in long term. The company has entered into an agreement



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for 30 years with strong counterparty in the form of FCI, limiting the payment risk to a large extent.

Key Rating Weaknesses

Project implementation risk - time overrun and cost escalation risk:

The Company is in initial stage of project implementation, obtaining all necessary / statutory approvals and permissions in time, completing the civil works and procurement of all critical material will remain key monitorable. Any delay in getting the statutory approvals or construction will result in cost overrun. The company has received partial approval & licenses and for remaining ones they are in process of applying for approvals. In terms of project execution majorly, railway sliding approval is pending for which FCI is following-up with Indian Railways for In-principal approval and any delay in approval will result in have extension in timeline accordingly as per the terms of the agreement.

Funding Arrangement:

The estimated cost of project is Rs. 132.95 crores and project is proposed to be funded by a mix of debt & equity. The timely arrangement of promoter's own fund is also critical for the timely execution of project. The company has currently secured financial closure from the Bank for the funding.

Analytical Approach: Standalone and Credit Enhancement

Credit Enhancement is based on the unconditional and irrevocable corporate guarantee provided by KCC Infra Private Limited (rated by Infomerics at IVR BBB-/ Stable / IVR A3) to the bank facilities of KCC Agri Logistics (Borivali) Private Limited.

Applicable Criteria:

- Criteria for Ratings based on Structured Debt Transaction- Credit Enhancement
- Rating Methodology for Infrastructure Companies
- Criteria for Assigning Rating Outlook
- Financial Ratios & Interpretation (Non-Financial Sector)
- Default Recognition Criteria

Liquidity – Adequate

KCC Agri Logistics (Borivali) Private Limited's liquidity will be driven by support from promoter group. Currently the project is in the initial stage of operations and an amount of ~Rs 5.28 Crs



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has been incurred in the project till 31 Jan 2024. Equity will be infused as per the disbursement of the term loans for the project. The parent company's liquidity remains adequate owing to cash accruals of Rs.29.53 crore in FY23 against the debt repayment obligations of Rs.15.50 crore and expected sufficient cash accruals vis-à-vis its repayment obligations in FY25-FY27. . Average fund-based utilization of bank limits for last 12 months ended December 2023 remained on higher side at ~92.00% although company maintains free cash and bank balance which stood at Rs.8.82 crore as on March 31, 2023.

About the Company (KALBPL)

KCC Agri Logistics (Borivali) Private Limited was incorporated in November 2022 having registered office at Jaipur (Rajasthan). KALBPL is to build superstructure semi-automatic Silos for FCI's food grain storage purpose under DBFOT (Design-Build-Finance-Operate-Transfer) at FSD Borivali Complex, Rajendra Nagar, Dattapada road, Borivali(E), Mumbai. The capacity of the plant will be 1,25,000 MT of storage of food grains with a facility of railway siding connected with Borivali Railway station. The company entered into an agreement with FCI for the storage of food grains on behalf of FCI for a period of 30 years. Total estimated cost of project is Rs.132.95 Crs which is proposed to be funded by way of promoter's contribution of Rs 35.45 Crs including unsecured loan of Rs. 17.12 Crs and term loan of Rs. 97.50 Crs. The project COD (commercial operation date) date is 01 March,2025.

About the Corporate Guarantor (KIPL)

KCC Infra Private Limited was established as a partnership firm earlier, and subsequently converted into private limited company in May 2021. The company is based in Jaipur and is engaged in construction and maintenance of roads, highways, bridges, tunnels, and other transportation infrastructure. The company is promoted by Mr. Hitesh Jangir and Rupesh Jangir. The major clientele are Rural Road Development Authority, Public Works Department, Madhya Pradesh and National Highway & Infrastructure Development. Corporation etc.

Financials (Standalone):

For the year ended as on	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	0	0
EBITDA	0	0
PAT	0	-0.01
Total Debt	0	0.04
Tangible Networkth	0	0



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EBITDA Margin (%)	NA	NA
PAT Margin (%)	NA	NA
Overall Gearing Ratio (x)	NA	NA

* Classification as per Infomerics' standards. Currently, there are no operations as per FY23A.

Financials of corporate Guarantor (KCIPL):

For the year ended as on	(Rs. crore)	
	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	181.61	259.18
EBITDA	17.26	41.22
PAT	7.80	20.58
Total Debt	64.51	76.24
Analyzed Tangible Network	48.83	71.50
EBITDA Margin (%)	9.50	15.90
PAT Margin (%)	4.23	7.83
Analyzed Overall Gearing Ratio (x)	1.32	1.07

* Classification as per Infomerics' standards

Analyzed Network includes unsecured loans as quasi equity.

Status of non-cooperation with previous CRA: None

Any other information: Not Applicable

Rating History for last three years:

Sr . N o.	Type of Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstand ing (Rs. Crore)	Current Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
1.	Long Term Bank Facilities - Fund Based	Long Term	97.50	IVR BBB- (CE*)/ Stable	-	-	-
2.	Long Term Bank Facilities – Non Fund Based	Long Term	2.61	IVR BBB- (CE*)/ Stable	-	-	-

*CE Rating based on irrevocable and unconditional corporate guarantee from company 'KCC Infra Private Limited. (KCIPL)'



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Unsupported rating: IVR BB/Stable; Unsupported rating does not factor in the Corporate Guarantee from KCC Infra Private Limited

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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI). Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating. Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks. Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit www.infomerics.com

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.



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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities (Term Loan)	-	-	48 quarterly instalments from COD (March,2025)	97.50	IVR BBB-(CE)/ Stable
Long Term Bank Facilities (BG)	-	-	-	2.61	IVR BBB-(CE)/ Stable

Unsupported rating: IVR BB/Stable; Unsupported rating does not factor in the Corporate Guarantee from KCC Infra Private Limited

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-KCC-Agri-apr24.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities:

Name of Instrument	Detailed Explanation
Covenants	<ul style="list-style-type: none">• Rate of interest: Pre COD MCLR+1.80% and Post COD MCLR+1.30%• DSCR shall, at any point of time, not fall below 1.10x• Debt Equity Ratio shall not exceed 2.75:1• Breach of any financials covenant in any testing period would be recognized as an event of default and can be cured within 30 days by sponsoring infusion of money in the form of unsecured loans.• The company shall submit quarterly physical progress report from LIE and CA certified financial progress within 3 months of disbursement of each tranche.• 75% of overall promoter's contribution to be brought upfront in the form of equity and rest from unsecured loans.• Unsecured loans to be brought interest free and subordinated to throughout the tenor of debt.• Personal Guarantee of Mr. Rupesh Jangir, Mr. Hitesh Jangir, Mr. Krishna Jangir (Promoter Director)



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	<ul style="list-style-type: none">• Corporate Guarantee from KCC Infra Pvt. Ltd.• Pledge of 30% of equity shares and preference shares and non-disposal undertaking for 21% of shares of the borrower till the facility of entirely repaid.
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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