KCC Infra Private Limited
April 29, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	25.15	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Reaffirmed	Simple
Short Term Bank Facilities	134.10	IVR A3 (IVR A Three)	IVR A3 (IVR A Three)	Reaffirmed	
Total	**159.25**	**Rupees One Hundred Fifty Nine Crore and Twenty Five Lakhs Only**			

Details of Facilities are in Annexure 1

Detailed Rationale

Infomerics Valuation and Rating Private Limited (IVR) has reaffirmed the long-term rating at IVR BBB- with a Stable Outlook and short-term rating at IVR A3 for the bank loan facilities of KCC Infra Private Limited (KIPL or 'KCC Infra').

The rating continues to draw comfort from experienced management, growing scale of operations and healthy profitability, strong order book position reflecting satisfactory medium-term revenue visibility, besides comfortable debt protection metrics. However, these rating strengths are partially offset by moderate capital structure, order book concentration risk, fragmented and tender-based nature of business & competition & project implementation risk under subsidiaries.

The company Outlook is Stable owing to growing topline and strong order book position. IVR expects that the business risk profile will be maintained over the short to medium term.

IVR has principally relied on the standalone audited financial results of KIPL up to 31 March 2023, projected financials for FY24 (est./prov), FY25, FY26 and FY27, and publicly available information/ clarifications provided by the company's management.

Key Rating Sensitivities:

Upward Factors

- Sustained growth in scale of operations with improvement in profitability and debt protection metrics on a sustained basis along
- Sustenance in the capital structure and management of working capital requirements efficiently with improvement in liquidity position

Downward Factors

- Moderation in scale of operations and/or profitability impacting the debt protection metrics on a sustained basis.
- Moderation in capital structure and elongation in the operating cycle impacting the liquidity profile.
- Delay in completion of projects or cost overrun resulting in funding support to subsidiaries where corporate guarantee has been given by KIPL.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced management

KCC Infra Private Limited was established a partnership firm earlier, and subsequently converted into private limited company in May 2021. The company is promoted by Mr. Hitesh Jangir and Rupesh Jangir who have more than two decades of experience in the road construction & infrastructure industry.

Improved scale of operations and profitability

KCC Infra has shown consistent 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. The company has reported improved profitability marked by healthy EBITDA margins and PAT margins. 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. With growth in EBITDA margins, the PAT margin of the company has also improved from 4.23% in FY21 to 7.83% in FY23.

Strong order book position reflecting medium-term revenue visibility

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.

Comfortable debt protection metrics

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).

Key Rating Weaknesses

Moderate Capital Structure

The capital structure of the company is moderate at 3.30x in FY23 (PY:7.28x). However, considering the interest free unsecured loans from promoters/related parties as quasi equity the analysed net worth stood satisfactory at Rs 71.50 Crs, analysed long term debt equity ratio and the overall analysed gearing ratio of the company w.r.t calculation on analyzed networth stood satisfactory at 0.74x and 1.05x respectively as on March 31,2023 as against 0.70x and 1.32x respectively as on March 31,2022.

Order book concentration risk

KCC Infra is majorly engaged in the construction and maintenance, of roads, highways, bridges, tunnels, and other transportation infrastructure. Majority of the orders are concentrated in the state of Manipur, Rajasthan and Madhya Pradesh, which exposes KCC Infra to geographical concentration risks associated with the number of tenders floated in the state, changes in government policy, political instability and occurrences of natural calamities. Nonetheless, the geographical concentration risk is offset by the operational synergies and experienced management to execute the projects on time.

Fragmented and tender-based nature of business & competition, besides project execution risk

The company majorly procures orders which are awarded through the tender-based system. This exposes the company to the risk associated with the tender-based business, which is characterized by intense competition. The growth of the business depends on its ability to successfully bid for the tenders and emerge as the lowest bidder. This apart, any changes in the government policy or government spending on projects are likely to affect the revenues and profits of the firm. The construction/EPC industry is highly fragmented with direct competition from various organized and unorganized players in the market and the intense competition could exsert pressure on the pricing of the tender which further may affect the profit margins. Besides that the company is also exposed to inherent risk in terms of delays in project execution & cost overrun of certain orders which may arise due to arranging infrastructure, delay in land acquisitions & environmental clearances, political interference, fluctuation in raw material prices, besides delay in sanction of required working capital limits for the completion of orders, may result in a delay in the realization of revenue growth & could affect the profit margins adversely.

Project implementation risk under subsidiaries:

KCC Infra has given corporate guarantee to the tune of Rs ~169 Crs to its subsidiary's companies i.e. 'KCC Agri Logistics (Borivali) Pvt Ltd', 'KCC Agri Logistics (Gandhidham) Pvt. Ltd.', 'KCC Agri Logistics (Wankaner) Pvt. Ltd.', 'KCC Agri Logistics (Wadhvan) Pvt. Ltd.'. The subsidiaries of the company are executing green field projects which are at initial stage. Obtaining necessary / statutory approvals and permissions on time, completing the civil works as per schedule will be key monitorable. Any delay in getting the statutory approvals or not competing the work as per schedule may result in cost overrun and funding support from KCC Infra might be required. IVR has further done a scenario analysis where in all the interest & CPLTD (Current Portion of Long-Term Debt) obligations of subsidiaries have been stress tested on KCC Infra financials, the analysed gearing and DSCR and ISCR would still remain in satisfactory level at an average of ~1.23x and 1.46~ and ~5x respectively for the next 3 years.

Analytical Approach: For arriving at the ratings, IVR has analysed KIPL's credit profile by considering the standalone financial statements of the company.

Applicable Criteria:

- Rating Methodology for Infrastructure Companies
- Criteria for Assigning Rating Outlook
- Financial Ratios & Interpretation (Non-Financial Sector)
- Default Recognition Criteria

Liquidity – Adequate

KCC Infra has generated a cash accrual of Rs.29.53 crore in FY23 against the debt repayment obligations of Rs.15.50 crore. Further, KCC Infra liquidity position is adequate marked by sufficient cushion in expected accruals vis-à-vis its repayment obligations in FY24-FY26. Average fund-based utilization of bank limits for last 12 months ended December 2023 stood high at ~92.00%. Further, the company has reported unencumbered cash and bank balance of Rs.8.82 crore as on March 31, 2023.

About the Company

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):

(Rs. crore)

For the year ended as on	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 Networth	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

Status of non-cooperation with previous CRA: None

Any other information: Not Applicable

Rating History for last three years:

Sr. No.	Type of Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Current Rating	Date(s) & Rating(s) assigned in 2023-24 (July 04,2023)	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	25.15	IVR BBB-/ Stable	IVR BBB-/ Stable	-	-

Sr. No.	Type of Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type	**Amount outstanding (Rs. Crore)**	**Current Rating**	**Date(s) & Rating(s) assigned in 2023-24 (July 04,2023)**	**Date(s) & Rating(s) assigned in 2022-23**	**Date(s) & Rating(s) assigned in 2021-22**
2.	Short Term Bank Facilities Non-Fund Based	Short Term	134.10	IVR A3	IVR A3	-	-

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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.

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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 (Cash Credit)	-	-	-	25.15	IVR BBB-/ Stable
Short Term Bank Facilities - BG	-	-	-	134.10	IVR A3

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-Infra-apr24.pdf

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

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