



Press Release

KCP Infra Limited

July 18, 2022

Ratings

Sl. No.	Type of Facility	Rated Amount (Rs Cr.)	Ratings	Rating Action	Complexity Indicator
1	Long Term Bank Facilities	20.00	IVR A-/ Stable (IVR Single A Minus With Stable Outlook)	Assigned	Simple
2	Short Term Bank Facilities	70.00	IVR A2+ (IVR A Two Plus)	Assigned	Simple
3	Long Term/ Short Term Bank Facilities	100.00	IVR A-/ Stable/ IVR A2+ (IVR Single A Minus With Stable Outlook/ IVR A Two Plus)	Assigned	Simple
4	Fixed Deposit	50.00	IVR A-/ Stable (IVR Single A Minus With Stable Outlook)	Assigned	Simple
Total		240.00 (Rupees Two Hundred and Forty Crore only)			

Details of Facilities are in Annexure 1



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Detailed Rationale

The ratings assigned to the bank facilities of KCP Infra Limited factors in the long-standing experience of the promoters, proven project execution capability with reputed clientele, improved scale of operations, healthy Order Book position and efficient working capital management.

The ratings, however, are constrained by project execution risk, susceptibility of operating margin to volatile input prices, highly fragmented & competitive nature of the construction sector with significant price war. The ability of the Company in increasing the scale of business and profit margin and improving debt protection metrics and capital structure will be key rating sensitivities.

Key Rating Sensitivities:

Upward Factors

- Procurement of new tenders providing medium to long term revenue visibility along with a substantial and sustained improvement in the revenue and cash accruals while maintaining the debt protection metrics and improvement in capital structure and liquidity.

Downward Factors

- Elongation of working capital cycle, any decline in the revenue and/or profitability leading to deterioration in liquidity position and impairment in debt protection metrics.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- **Experienced promoters**

KCPIL has a long track record of more than a decade in the industry and is promoted by Mr. K Chandra Prakash having an experience of more than two decades in civil construction field. Long standing presence of the promoter in the industry has helped the company to establish a healthy relationship with its customers and suppliers.



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- **Proven project execution capability with reputed clientele**

Over the past decade, the company has successfully completed many projects for various government and private entities. They are one of the major contractors in Tamil Nādu having diversified businesses of Construction of roads and bridges, smart city projects, pipeline projects, electrical & Energy Saving projects, Multi-level car parking projects, solid waste management projects and other infrastructure projects.

- **Efficient working capital management**

The working capital management of the company is efficient marked by comfortable operating cycle of 16 days in FY22 (prov.) owing to average collection period of 29 days in FY22 as against 54 days in FY21.

- **Improved scale of operations**

Over a period of last 3 years, the Company's total income from operations shows an increasing trend with revenue of INR 427 Crore in FY20, INR 603 Crore in FY21 and INR 702 Crore in FY22.

- **Comfortable Gearing ratio**

The Overall Gearing ratio of the Company is comfortable and improved from 0.65x in FY21 to 0.61x in FY22. The Total outside liabilities to Tangible Net Worth of the Company also improved from 1.00x in FY21 to 0.78x in FY22.

- **Healthy Order Book position**

The Company has a healthy order book worth INR 1500 Crore to be executed as of May 2022. This constitutes 2.13 times of FY22(prov.) revenues.

Key Rating Weaknesses

- **Highly fragmented & competitive nature of the construction sector with significant price war**

The domestic construction sector is highly crowded with presence of many players with varied statures & capabilities. Boom in the infrastructure sector, a few years back, resulted in mushrooming increase in the number of players. While the competition is perceived to be healthy, significant price cut by few players during the bidding process is a matter of serious concern for the sustenance and healthy growth of the industry.



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- **Project execution risk**

The value of a project is measured by the ability of the entity to complete any project in a timely manner and in compliance of all committed specifications. Any delays in project execution can have a negative impact on collections from customers and salability of projects, which can lead to constrained liquidity. The project costs are dependent on a variety of variables such as the nature of the terrain, environmental clearances, and other externalities. Infrastructure companies also face challenges relating to shortage of labour, equipment and availability of key raw materials on time. Weather, labour problems and difficulty in terrain may lead to construction delays and cost escalations.

- **Susceptibility of operating margin to volatile input prices**

Major raw materials used in civil construction activities are steel & cement and in road construction activities are stone, steel, cement, and sand which are usually sourced from large players/dealers at proximate distances. The raw material & labour cost form the majority chunk of the total cost of sales. As the raw material prices & labour cost are volatile in nature, the profitability of the company is subject to fluctuation in raw material prices & labour cost.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Infrastructure Companies](#)

[Financial Ratios & Interpretation \(Non- Financial Sector\)](#)

[Criteria of assigning rating outlook](#)

[Criteria for rating Fixed Deposit Programme](#)

Liquidity: Adequate

The average working capital utilization of the company remained low at ~61% for the past 12 months period ended May 2022. The company's cash and bank balance have been high at Rs.130.58 Crore as of 31st March 2022 (prov.). Operating Cycle has improved to 16 days due to improved debtor's days of 29 days in FY22 (prov.). Current Ratio has also improved from 2.23x as on 31-Mar-2021 to 3.49x as on 31-Mar-2022 (prov.).



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About the Company

M/s. KCP Infra Limited (previously known as KCP Engineers Pvt Ltd) is a premier civil construction contractor having registered office in Chennai, Tamil Nadu and corporate office and operations at Coimbatore, Tamil Nadu with interests in development of Constructions, and Infrastructure sectors. KCP Infra Ltd was incorporated in the year 2011 and is engaged in the field of Construction Development. The company is a Class I contractor doing various projects for Government of Tamil Nadu, Andhra Pradesh, Telangana and Southern Railways.

M/s. KCP Infra Limited is founded by an eminent industrialist named Mr. Chandra Prakash who is a Civil Engineer and managing director of the company. Company specializes in a wide variety of heavy constructional operations. The major activities include heavy highway construction, dams, bridges, canals mining, pond building, earthmoving, industrial site work, transmission and distributions, water supply projects etc.

Financials (Standalone):

For the year ended* / As on	INR in Crores		
	31-03-2020	31-03-2021	31-03-2022
	Audited	Audited	Provisional
Total Operating Income	427.70	603.78	702.91
EBITDA	44.26	53.47	52.92
PAT	27.15	35.36	30.77
Total Debt	104.39	199.12	156.22
Tangible Net worth (Adjusted)	157.03	223.71	221.81
EBIDTA Margin (%)	10.35	8.86	7.53
PAT Margin (%)	6.27	5.78	4.32
Overall Gearing ratio (X) (Adjusted)	0.53	0.65	0.61

**Classification as per infomerics' standards*

Status of non-cooperation with previous CRA:

Acuite Ratings moved the ratings for the bank loan facilities of KCP Infra Ltd under Issuer Not Cooperating category dated 16 June 2022.



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Any other information: N.A.

Rating History for last three years:

Sr. No.	Name of Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding/Proposed (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Overdraft (Sanctioned)	Long Term	20.00	IVR A-/ Stable	-	-	-
2.	Bank Guarantee (Sanctioned)	Short Term	70.00	IVR A2+	-	-	-
3.	Bank Guarantee (Proposed)	Long Term/ Short Term	100.00	IVR A-/ Stable/ IVR A2+	-	-	-
4.	Fixed Deposit	Long Term	50.00	IVR A-/ Stable			

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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



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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, suspend or 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

S. No.	Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs Cr.)	Rating Assigned/ Outlook
1	Long Term Fund Based Facilities Overdraft	-	-	Not Applicable	20.00	IVR A-/ Stable
2	Short Term Non-Fund Based Facilities Bank Guarantee	-	-	Not Applicable	70.00	IVR A2+
3	Long Term/ Short Term Bank Facilities Bank Guarantee (Proposed)	-	-	Not Applicable	100.00	IVR A-/ Stable/ IVR A2+
4	Fixed Deposit	-	-	Not Applicable	50.00	IVR A-/ Stable

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

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-KCP-Infra-july22.pdf>

Annexure 4: Detailed explanation of covenants of the rated 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.