



## Press Release

**K.C.V.R Infra Projects Private Limited (KCVR)**

**February 15, 2023**

### Ratings

Facilities	Amount (Rs. Crore)	Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Fund Based Bank Facilities – Term Loan	0.00	--	Withdrawn	Simple
Long Term Fund Based Facility – Cash Credit	15.00 (Enhanced from INR13.00 Crore)	IVR BBB- / Stable (IVR Triple B Minus with Stable Outlook)	Revised and removed from ISSUER NOT COOPERATING	Simple
Short Term Non-Fund Based Bank Facilities – Bank Guarantee	115.00 (Enhanced from INR88.00 crore)	IVR A3 (IVR A Three)	Revised and removed from ISSUER NOT COOPERATING	Simple
Short Term Non-Fund Based Bank Facilities – Letter of Credit	0.00	--	Withdrawn	Simple
<b>Total</b>	<b>130.00</b>	<b>Rupees One Hundred Thirty Crore Only</b>		

### Details of facilities are in Annexure 1

#### Detailed Rationale

Infomerics had migrated the Rating assigned to K.C.V.R Infra Projects Private Limited (KCVR) to the 'ISSUER NOT COOPERATING' category vide Press Release dated November 17, 2022 because of non-receipt of information for monitoring the Issuer Rating. Subsequently, the company has provided the requisite information. Based on this, Infomerics has removed the Issuer Rating from the 'ISSUER NOT COOPERATING' category.

The revision in the rating of KCVR factors in improvement in capital structure and healthy order book.



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Furthermore, the aforesaid bank facilities continue to derive comfort from long track record of operation and experienced promoters, reputed clientele, healthy order book, satisfactory operational performance and healthy financial risk profile. The ratings are, however, constrained by geographical and project concentration risk, vulnerability of profitability to fluctuations in raw material prices and competitive nature of the industry.

### **Key Rating Sensitivities:**

#### **Upward Factors**

- Growth in scale of operations with improvement in profitability on a sustained basis and consequent improvement in liquidity.
- Sustenance of the capital structure with improvement in debt protection metrics.

#### **Downward Factors**

- Dip in the revenue and/or profitability and/or an increase in the gross working capital cycle or concentration risk.
- Moderation in the capital structure with moderation in the overall gearing along with significant or sustained deterioration in debt protection parameters and /or liquidity.

### **Detailed Description of Key Rating Drivers**

#### **Key Rating Strengths:**

##### **Long Track Record of Operation and Experienced Promoters**

The company's promoter has an experience of around three decades in the engineering, procurement and construction segment. KCVR, promoted by Mr. K.V. Jagan Mohan Reddy and his family members, have an extensive experience in executing road construction and related works. KCVR has executed various road work projects in Andhra Pradesh, Telangana and Karnataka.



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### **Reputed Clientele**

The Company has a strong customer profile, mainly including Government entities, such as National Highway Authority of India, the Roads & Buildings departments of Andhra Pradesh and Telangana etc., which reduces its counterparty credit risk.

### **Healthy Order Book**

As on December 31, 2022, the Company has unexecuted order book of INR 797.17 Crore; (order book to FY22 operating income ratio of 5.15 times) providing medium-term revenue visibility as the projects have to be completed within 12-36 months.

### **Satisfactory Operational Performance**

The Company's top line remains volatile in the last three years ended FY22. However, registered a CAGR growth of ~16% during FY20-22. Revenue grew to Rs.154.87 crore in FY22 from Rs.114.47 crore in FY20, . The Company's operating profitability margins fluctuated between 6.40% and 12.25% during FY18-FY22, because of variations in operational expenses, which depend upon the size and stage of each project. Projects that are in the initial stages involve higher expenditure due to site establishment costs. However, the EBITDA margin remained satisfactory at 10.16% in FY22 (A) and PAT stood at 3.82% during the same period.

### **Healthy Financial Risk Profile**

The return on capital employed was 12.48% in FY22 (A) (FY20: 14.29%). The Company recorded overall gearing of 0.63x in FY22 (A) as compared to 0.88x in FY21 (A), and interest coverage ratio of 4.99x in FY22 (A) as against 3.81x in FY21 (A). TOL/TNW was reported at 1.43x in FY22 (A) (FY21: 1.92%).



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### **Key Rating Weaknesses:**

#### **Geographical and Project Concentration Risk**

Majority of the company's projects are in Telangana and Andhra Pradesh. The projects concentration also remains high, with four projects constituting more than 80% of the outstanding order book. However, the promoter contends that the focus on particular geographies leads to efficient control over operations and reduces the logistical expenses.

#### **Vulnerability of Profitability to Fluctuations in Raw Material Prices**

The raw materials required by the company are structural steel, cement, bitumen, asphalt whose prices are volatile in nature. Hence, KCVR's profitability is exposed to variations in raw material prices.

#### **Competitive Nature of the Industry**

KCVR participates in the tenders passed by the government and private companies for civil and construction work. Thus, it is exposed to tough competition from other similar players in the bidding process.

### **Analytical Approach: Standalone**

### **Applicable Criteria:**

[Rating Methodology for Infrastructure Companies](#)

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

[Criteria for rating outlook](#)

### **Liquidity – Adequate**

The liquidity profile of KCVR is expected to remain adequate marked by its expected satisfactory cash accrual in the range of ~Rs. 15 - Rs. 20 crore during FY23-25. The average working capital utilisation of the company remained moderate at 81.45% during the past 12 months ended on December 31, 2022. The current ratio stood comfortable at 1.51x during FY22 (A). As on March 31, 2022, the cash and cash equivalent of the Company stood at Rs.9.70 crore which includes lien marked fixed deposits of Rs.9.62 crore.



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### **About the Company**

K.C.V.R Infra Projects Private Limited (KCVR), established in 1994, is located in Hyderabad, Telangana. KCVR is involved in civil construction and related work (mainly roads). In 1965, the partnership firm, K.C. Venkat Reddy & Co, was formed, which was converted into a private limited company in 2011 by the name KCVR Infra Projects Private Limited. KCVR is promoted by Mr. K.V. Jagan Mohan Reddy and his family members. KCVR is awarded special class status by Government of Andhra Pradesh.

### **Financials (Standalone):**

For the year ended* As on	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	171.43	154.87
EBITDA	17.43	15.74
PAT	6.81	5.97
Total Debt	44.32	37.18
Tangible Net Worth	50.18	58.76
<b><u>Ratios</u></b>		
EBITDA Margin (%)	10.17	10.16
PAT Margin (%)	3.95	3.82
Overall Gearing Ratio (x)	0.88	0.63

\* Classification as per Infomerics' standards

### **Status of Non-cooperation with previous CRA:**

India Rating & Research and Acuite Rating & Research has continued to classify the bank facilities of KCVR under ISSUER NOT COOPERATING category vide their press release dated July 28, 2022 and May 20, 2022, respectively.

**Any other information: Not Applicable**



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Sr. No.	Name of Instrument /Facilities	Current Ratings (Year 2022-23)				Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Rating (November 17, 2022)	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
						October 14, 2021		
1.	Fund Based Bank Facilities – Term Loans	Long Term	0.00	--*	IVR BB+ (ISSUER NOT COOPERATING)	IVR BBB-/ Stable	--	--
2.	Fund Based Bank Facilities – Cash Credit	Long Term	15.00	IVR BBB-/ Stable	IVR BB+ (ISSUER NOT COOPERATING)	IVR BBB-/ Stable	--	--
3.	Non-Fund Based Bank Facilities – Bank Guarantee	Short Term	115.00	IVR A3	IVR A4+ (ISSUER NOT COOPERATING)	IVR A3	--	--
5.	Non-Fund Based Bank Facilities – Letter of Credit	Short Term	0.00	--*	IVR A4+ (ISSUER NOT COOPERATING)	IVR A3	--	--

\*Withdrawn

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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.





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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](http://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, 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.

### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	--	--	Revolving	15.00	IVR BBB- / Stable
Bank Guarantee	--	--	--	115.00	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-KCVR-feb23.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 <https://www.infomerics.com/>.