



Press Release

KKSpun India Limited (KKSIL)

March 22, 2022

Ratings

Facilities	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long term fund-based bank facilities	111.36 (Reduced from 209.13)	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	IVR D	Revised	Simple
Short term non-fund-based bank facilities	461.00 (Reduced from 550.00)	IVR A3 (IVR A Three)	IVR D	Revised	Simple
	572.36				

Details of facilities are in Annexure 1

Detailed Rationale

The rating upgrade of KKSpun India Limited (KKSIL) considers the clarification from company and confirmation from lead banker stating account is standard with all the banks. The company has been allowed full interchangeability of its non-fund based limits to fund-based limits thus providing it adequate liquidity headroom. Further rating continues to derive comfort from long track record of operations and experienced management, strong order book and wide product profile, reputed client base and government opportunities. However, these rating strengths remain constrained by revenue dominated by tender-based operations, higher utilisation of working capital limits and moderate financial risk profile.

Key Rating Sensitivities:

Upward Factor:

- Significant revenue growth, along with substantial increase in cash flow generation, on a sustained basis, could lead to a positive rating action.

Downward Factor:



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- Any further decline in EBITDA margin and/or order book, may lead to a negative rating action.

Detailed Description of Key Rating Drivers

Key Rating Strengths

Long track record of operations and experienced management

KKSpun India Limited (KKSIL) has been in the precast concrete products industry for four decades (as a proprietorship firm before 2006). Key promoter, Mr. Himanshu Gupta, has an extensive industry experience of around over a decade. 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

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 also manufactures 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 December 31, 2021, the company had a healthy order book worth INR 2163 Crore; of which POs worth INR 1073 Crore have already been executed as on December 31, 2021. Balance orders worth INR 1089 Crore are in process to be executed.

Reputed Client base

The promoters having an experience of more than 4 decades in the precast and RCC manufacturing industry, have established strong relationships with its customers, assisting in repeat sales. KKSIL continues to have reputed clientele of various government and private players including established players like Larsen & Tubro Limited, Municipal Corporation Ambala & Karnal, Gomti Pollution Control Unit Lucknow etc.



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Government opportunities

There is 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 FY21, revenue from tender execution accounted for 55-60% of topline whereas revenue from sale of RCC pipes and other precast structures was around 40-45% of topline. Tender based operations involve intense competition and competitive bidding which may affect its profitability.

Higher utilisation of working capital limits

The working capital requirement of the company is large due to tender-based operations & high operating cycle. The average utilisation remained high at above 93% during the six months ended February 2022. The Average Operating Cycle of the Company was 264 days as at FY21 & 88 days as at FY20.

Moderate Financial Risk Profile

Overall gearing increased from 1.16x in FY20 to 1.50x in FY21, on account of increased debt required for increasing plant and machinery required for implementation of increased number of projects. Further, with increased debt, debt coverage metrics in terms of interest coverage and DSCR, deteriorated in FY21 as compared to FY20.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Manufacturing Companies](#)

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



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[Criteria on Rating Outlook](#)

Liquidity – Stretched

The company's liquidity remains to be stretched on account of increased working capital cycle on account of high inventory levels. The average utilisation of fund based limits have remained high at 93% for the past 6 months ended Feb. 2022.

About the Company

KKSpun India Limited (KKSIL), 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. 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)

For the year ended* As on	INR in Crore	
	31-03-2020	31-03-2021
	Audited	Audited
Total Operating Income	599.56	338.52
EBITDA	90.61	59.52
PAT	20.89	1.24
Total Debt	182.96	239.32
Tangible Net Worth	157.14	159.47
EBITDA Margin (%)	15.11	17.58



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PAT Margin (%)	3.46	0.36
Overall Gearing Ratio (x)	1.16	1.50

* Classification as per Infomerics' standards

Details of Non-Co-operation with any other CRA: Nil

Any other information: N.A.

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22 (Dated: December 17, 2021)	Date(s) & Rating(s) assigned in 2020-21 (Dated: February 11, 2021)	Date(s) & Rating(s) assigned in 2019-20 (Dated: November 29, 2019)
1.	Fund Based Facilities – Term Loans	Long Term	41.36	IVR BBB-/ Stable	IVR D	IVR A-/ Credit watch with developing implication	IVR A-/ Stable
2.	Fund Based Facilities – Cash Credit	Long Term	70.00	IVR BBB-/ Stable	IVR D	IVR A-/ Credit watch with developing implication	IVR A-/ Stable
3.	Non fund-based Bank Facilities – LC/BG	Short Term	461.00	IVR A3	IVR D	IVR A2+	IVR A2+

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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



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and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.

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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 Fund Based Facilities – Term Loans	-	-	FY2025-26	41.36	IVR BBB-/ Stable
Long Term Fund Based Facilities – Cash Credit	-	-	-	70.00	IVR BBB-/ Stable
Short term non fund-based Bank Facilities – LC/BG	-	-	-	461.00	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/KKSpun-India-lenders-mar22.pdf>

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



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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.