



## Press Release

### KLSR Infratech Limited

January 24, 2023

#### Ratings

Sl. No.	Instruments/Facilities	Amount (Rs. Crore)	Ratings	Rating Action	<a href="#">Complexity Indicator</a>
1	Long Term Fund Based Facility – CC	17.00	IVR BBB / Stable (IVR Triple B with Stable Outlook)	Assigned	Simple
2	Proposed Long Term Fund Based Facility – CC	33.00	IVR BBB / Stable (IVR Triple B with Stable Outlook)	Assigned	Simple
3	Short Term Fund Based Facility – Short Term Loan (Working capital facility)	5.00	IVR A3+ (IVR A Three Plus)	Assigned	Simple
4	Short Term Non-Fund Based Facility – Bank Guarantee	153.00	IVR A3+ (IVR A Three Plus)	Assigned	Simple
5	Proposed Short Term Non-Fund Based Facility – Bank Guarantee	192.00	IVR A3+ (IVR A Three Plus)	Assigned	Simple
	<b>Total</b>	<b>400.00</b> <b>(Rupees Four Hundred Crore Only)</b>			



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### **Details of Facilities are in Annexure 1**

#### **Detailed Rationale**

The issuer rating assigned to KLSR Infratech Ltd (KLSRIL) 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 comfortable capital structure.

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 and geographical concentration risk.

#### **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**

KLSRIL has decades long track record in the industry and is promoted by Mr. Kolli Lakshmi Sreedhar Reddy 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.

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



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Over the past decade, the company has successfully completed many projects for various government entities like Rural Water Supply & Sanitation (RWS & S), Public Health Department, Andhra Pradesh Industrial Infrastructure Corporation (APIIC), Telangana State Industrial Infrastructure Corporation (TSIIC), Municipal Corporations etc. The company has executed many prestigious projects like Mission Bhagiratha in Telangana, AMRUT Schemes in Andhra Pradesh etc.

- **Improved scale of operations and healthy Order Book position reflecting satisfactory revenue visibility**

Over a period of last 3 years, the Company's total income from operations shows an increasing trend with revenue of INR 246.87 Crore in FY20, INR 268.69 Crore in FY21 and INR 409.63 Crore in FY22. The company has achieved ~235 Cr in H1FY23 and projected revenue of FY23 seems achievable on account of healthy unexecuted order book. The Company has a healthy order book worth ~INR 2656 Crore to be executed as of Dec 2022. This constitutes 6.48 times of FY22 revenues. Apart from these, another water supply project worth Rs 900.00 Cr in Ghatol, Rajasthan is in L1 stage and issuance of LOA is expected by Jan 4<sup>th</sup> week.

- **Comfortable capital structure**

The capital structure of the company has remained comfortable with its satisfactory net worth base of Rs.241.76 crore in FY22 supported by its low reliance on external debt. Overall indebtedness of the company marked by TOL/TNW has improved and stood at 0.47x as on March 31, 2022, against 0.84x as on March 31, 2021.

### **Key Rating Constraints**

- **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.

- **Geographical concentration risk**

The company participates in tender and executes its projects for various departments, all the ongoing projects are being executed only in the states of Andhra Pradesh leading to Geographical concentration risk. However, recently the company has received Letter of Acceptance (LOA) for projects to be executed in Karnataka, Uttar Pradesh, Rajasthan etc.

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

Major raw materials used in civil construction activities are steel & cement 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](#)

**Liquidity:** Adequate



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The average working capital utilization of the company remained moderate at ~70% for the past 12 months period ended Nov 2022. The company's cash and bank balance have been moderate at Rs.16.45 Crore as of 31st March 2022. Operating Cycle remained moderate at 71 days in FY22. Current Ratio has also improved from 1.64x as on 31-Mar-2021 to 2.52x as on 31-Mar-2022.

### About the Company

KLSR Infratech Ltd is a construction company in the field of Infrastructure Development since the year 1999. They have been executing Water Supply Projects with various departments like Rural Water Supply & Sanitation (RWS & S), Public Health Department, Andhra Pradesh Industrial Infrastructure Corporation (APIIC), Telangana State Industrial Infrastructure Corporation (TSIIC), Municipal Corporations etc. Currently, they are executing projects in the states of Andhra Pradesh, Telangana, Tamilnadu and trying to expand the business to the states of Karnataka, Maharastra, UP etc. The company has executed many prestigious projects like Mission Bhagiratha in Telangana, AMRUT Schemes in Andhra Pradesh. Mr. Kolli Lakshmi Sreedhar Reddy is the Managing Director of the company.

### Financials (Standalone):

INR in Crores		
For the year ended* / As on	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	268.69	409.63
EBITDA	31.90	47.51
PAT	22.77	39.63
Total Debt	7.10	32.24
Tangible Net worth (Adjusted)	202.13	241.76
EBIDTA Margin (%)	11.87	11.60
PAT Margin (%)	8.48	9.68
Overall Gearing ratio (X) (Adjusted)	0.03	0.13

\*Classification as per Infomerics' standards



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**Status of non-cooperation with previous CRA: Nil**

**Any other information: N.A.**

**Rating History for last 3 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.	Cash Credit	Long Term	17.00	IVR BBB/ Stable	-	-	-
2.	Cash Credit (Proposed)	Long Term	33.00	IVR BBB/ Stable	-	-	-
3.	Short Term Loan (Working capital facility)	Short Term	5.00	IVR A3+	-	-	-
4.	Bank Guarantee	Short Term	153.00	IVR A3+	-	-	-
5.	Bank Guarantee (Proposed)	Short Term	192.00	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.



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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)

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### Annexure 1: Details of Facilities:

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	12.00	IVR BBB/ Stable
Cash Credit	-	-	-	5.00	IVR BBB/ Stable
Cash Credit (Proposed)	-	-	-	33.00	IVR BBB/ Stable
Short Term Loan (Working capital facility)	-	-	-	5.00	IVR A3+
Letter of Guarantee	-	-	-	125.00	IVR A3+
Bank Guarantee	-	-	-	28.00	IVR A3+
Bank Guarantee (Proposed)	-	-	-	192.00	IVR A3+



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**Annexure 2: List of companies considered for consolidated analysis: NA**

**Annexure 3: Facility wise lender details**

<https://www.infomerics.com/admin/prfiles/Len-KLSR-Infratech-jan23.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](http://www.infomerics.com).

