



Press Release

KSR Infracon Private Limited (KSRIPL)

January 02, 2024

Ratings

Facilities	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Fund Based Facility– Cash Credit	30.00	IVR BBB-/ Stable (IVR Triple B minus with Stable Outlook)	Assigned	Simple
Long Term Fund Based Facility – GECL Loan	2.25	IVR BBB-/ Stable (IVR Triple B minus with Stable Outlook)	Assigned	Simple
Short Term Non Fund Based Facility – Bank Guarantee	87.00	IVR A3 (IVR A Three)	Assigned	Simple
Proposed Long Term Fund Based Facility – Cash Credit	20.00	IVR BBB-/ Stable (IVR Triple B minus with Stable Outlook)	Assigned	Simple
Proposed Short Term Fund Based Facility – Bank Guarantee	10.75	IVR A3 (IVR A Three)	Assigned	Simple
Total	150.00 (Rupees one hundred and fifty crore only)			

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of KSR Infracon Private Limited (KSRIPL) factors in proven track record of operations, experienced management, project execution capacity, reputed clientele base and healthy order book position, Improvement in scale of operations, profitability margins and sufficient asset base. These strengths are partially offset by Tender based nature of business and presence in fragmented industry with intense competition, Working capital intensive nature of operations and moderate financial risk profile.



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Key Rating Sensitivities:

Upward Factors

- Substantial & sustained growth in scale of operations with improvement in profitability while maintaining the debt protection metrics & capital structure
- Steady flow of orders & timely execution of the same on a sustained basis

Downward Factors

- Any decline in revenue and profitability leading to deterioration in debt protection metrics

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced management with established track record of operations

Hyderabad based KSR Infracon Private Limited incorporated in 2004 and is presently engaged in the business of construction and primarily undertakes works related to tunnel excavation, construction of powerhouse infrastructure and irrigation projects. Mr. Koneru Venkateswara Rao is the Managing Director, who possesses more than four decades of experience in the industry. Mr. Koneru Tirumala Rao, Koneru Srinivas Rao are the directors of the company, who possesses more than two decades and three decades of experience respectively in the industry. With promoter's extensive industry experience supported by experienced management and timely execution of projects helped the company to establish long-standing relationship with its stakeholders to bag the repeated orders from the existing clients and grab the new orders as well.

Proven project execution capability & reputed clientele base

Over the past years, the entity has successfully completed many projects and ensured timely completion of all its projects. The repeat orders received from its clientele validate its construction capabilities. The company majorly works for Government departments like Railways, State Electricity board along with few private clients. The company is working with premier organizations like NTPC Limited, Himachal State Electricity Board etc.



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Moderate scale of operations and improving profitability margins

The scale of operations of the company remained modest at Rs.107.46 Cr in FY23, Rs.88.06 Cr in FY22 and Rs.81.59 Cr in FY21. The company achieved CAGR of 9.6%. KSRIPL received most of their orders in 2022, which requires heavy machineries to execute the orders. The process of deployment of machinery and commencement went on till Feb 2023, and post this the company couldn't raise the bills immediately. However, the unbilled portion of Rs.18.93 Cr was shown in the balance sheet. The company has generated revenue of Rs.98.84 Cr till November 2023, which is 45% of the expected revenue for FY24. Supported by the healthy orderbook and deployment of machinery could benefit the company in improvement in the revenue. The profitability margins of the company has also been improving Y-o-Y. The operating margin of the company stood at 19.02% in FY23 improving from 13.56% in FY22 and 13.93% in FY21. The PAT margin stood at 5.03% in FY23 improving from 3.86% in FY22 and 3.39% in FY21.

Healthy orderbook position and sufficient asset base

The company has unexecuted orderbook of Rs. 1,162.45 Cr as on Sept 01, 2023. Of which 80% of the work is expected to complete by 2025, which provides strong revenue visibility over the medium term. In addition, the company also has Rs.590.10 Cr work order in hand which the clearance is awaiting due to election protocol in Rajasthan. The work is expected to start from April 2024. Being in the civil construction sector of the infrastructure department, the company is more dependent on the asset block. The company has done a capex of Rs.53.17 Cr during FY23, which is of the sufficient asset base to execute on the current orders and helps to grab the new orders as well.

Key Rating Weaknesses

Moderate financial risk profile

The financial risk profile of the company stood moderate with its capital structure and debt protection metrics. The networth of the company has improved to Rs.56.15 Cr as on March 31, 2023 as against 41.36 Cr as on March 31, 2022. The gearing has deteriorated moderately due to the external debt incurred for capex towards its



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machinery. Gearing levels stood at 1.59 times as on March 31, 2023 as against 0.84 times as on March 31, 2022. Interest coverage ratio improved to 2.70 times as on March 31, 2023 as against 2.51 times as on March 31, 2022 despite rise in interest cost the coverage indicators manage to improve due to increase in scale of operations and improving the profitability margins. DSCR stood at 2.25 times as on March 31, 2023 as against 1.68 times as on March 31, 2022. The promoters have infused capital of Rs.9.00 Cr in FY23. Going forward, the team expects that there could be moderate deterioration in DSCR as the repayment of instalments increase for the debt incurred towards capex.

Tender based nature of business and presence in fragmented industry with intense competition

KSRIPL nature of operations is tender based, the business depends on the ability to bid for contracts successfully. The company's revenue and profitability are susceptible to risks inherent in contract based operations. Also, Tender based operations limit pricing flexibility in an intensely competitive industry. The particular sector is marked by the presence of several mid to big size players. The company faces competition from the other players in the sectors. Risk becomes more pronounced as tendering is based on a minimum amount of bidding of contracts. However, this risk is mitigated to an extent as the promoter has been operating in this industry for the last 4 decades and geographical diversification.

Working capital intensive nature of operations

KSRIPL's business is working capital intensive on account of high collection period, blockage of retention money due to long duration of construction projects, which gets released after respective defect liability period. Further, a large part of working capital remains blocked in unbilled contractual revenue and receivable. collection days being shown at 197 days in FY23 as against 265 days in FY22 and 224 days in FY21. This was due to high year end billing. 50%, 60% and 97% of the years' billing happened in



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March month of 2023, 2022 and 2021 respectively. The company usually receives amount within 45-60 days from the date of raising the bill.

Analytical Approach: Standalone

Applicable Criteria:

Criteria of assigning Rating Outlook

Rating Methodology for Infrastructure Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Liquidity: Adequate

KSRIPL has generated gross cash accruals of Rs. 11.55 Cr in FY23 as against the repayment obligation of Rs. 2.01 Cr for the same period, and the company is expected to generate cash accruals of around Rs.20.00 Cr in FY24 as against the repayment of Rs.17.87 Cr for the same period, which has marked adequate internal accruals for servicing the debt. In addition, the company has utilised average of 75%-80% of their working capital limits over the last 12 months ended October 2023. Current ratio of the company stood at 1.83 times as on March 2023 as against 2.43 times as on March 2022. Cash and cash equivalents of the company stood at Rs.1.97 Cr as on March 2023 and Rs.6.92 Cr as on March 2022.

About the company

Hyderabad based KSR Infracon Private Limited incorporated in 2004 and is presently engaged in the business of construction and primarily undertakes works related to tunnel excavation, construction of powerhouse infrastructure and irrigation projects. The company is a special class contractor in Telangana and Andhra Pradesh. KSRIPL is led by the Managing Director Mr. K. Venkateswara Rao who possess more than four decades of experience. He is well supported by Mr. K Srinivas Rao the Executive Director who looks after the day-to-day operations of the company and Mr. K Tirumala Rao who looks after the market strategy.

Financials:

For the year ended / As On*	31-03-2022	31-03-2023
	(Audited)	(Audited)
Total Operating Income	88.06	107.46

(Rs. crore)



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For the year ended / As On*	31-03-2022	31-03-2023
	(Audited)	(Audited)
EBITDA	11.94	20.43
PAT	3.41	5.42
Total Debt	34.79	89.36
Tangible Net worth	41.36	56.15
Ratios		
EBITDA Margin (%)	13.56	19.02
PAT Margin (%)	3.86	5.03
Overall Gearing Ratio (x)	0.84	1.59

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: ACUITE has migrated ratings of KSR Infracon Private Limited to Issuer not Cooperating vide its press release date December 07, 2023 due to non-availability of information.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1.	Long Term Fund Based Facility– Cash Credit	Long Term	30.00	IVR BBB-/ Stable (IVR Triple B minus with Stable Outlook)	-	-	-
2.	Long Term Fund Based Facility – GECL Loan	Long Term	2.25	IVR BBB-/ Stable (IVR Triple B minus with Stable Outlook)	-	-	-
3.	Short Term Non Fund Based Facility – Bank Guarantee	Short Term	87.00	IVR A3 (IVR A Three)	-	-	-



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4.	Proposed Long Term Fund Based Facility – Cash Credit	Long Term	20.00	IVR BBB-/ Stable (IVR Triple B minus with Stable Outlook)	-	-	-
5.	Proposed Short Term Fund Based Facility – Bank Guarantee	Short Term	10.75	IVR A3 (IVR A Three)	-	-	-

Name and Contact Details of the Rating Team:

Name: Amit Bhuwania

Tel: (022) 62396023

Email: abhuwania@infomerics.com

About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.



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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
GECL Loan	-	-	December 2026	2.25	IVR BBB-/ Stable
Cash Credit	-	-	-	30.00	IVR BBB-/ Stable
Bank Guarantee	-	-	-	87.00	IVR A3
Proposed Term Loan	-	-	-	20.00	IVR BBB-/ Stable
Proposed Bank Guarantee				10.75	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-KSR-jan24.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.