



Press Release

KCC Infra Private Limited

July 04, 2023

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	25.15	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Assigned	Simple
Short Term Bank Facilities	134.10	IVR A3 (IVR A Three)	Assigned	Simple
Total	159.25	Rupees One Hundred Fifty Nine Crore and Twenty Five Lakhs Only		

Details of Facilities are in Annexure 1

Detailed Rationale

Infomerics Valuations and Ratings Private Limited (IVR) has assigned long-term rating of IVR BBB- with a Stable Outlook and short term rating of IVR A3 for the bank loan facilities of KCC Infra Private Limited.

The rating draws comfort from its experienced management, growing scale of operations and healthy profitability, strong order book position reflecting satisfactory medium-term revenue visibility and comfortable debt protection metrics. However, these strengths are partially offset by moderate capital structure, order book concentration risk, and highly fragmented & competitive nature of the construction sector.

IVR has principally relied on the standalone audited financial results of KCC Infra upto 31 March 2022, provisional financials for FY23 and projected financials for FY24, FY25 and FY26, and publicly available information/ clarifications provided by the company's management.

Key Rating Sensitivities:

Upward Factors

- Growth in scale of operations with improvement in profitability and debt protection metrics on a sustained basis.
- Sustenance in the capital structure.
- Management of working capital requirements efficiently with improvement in liquidity position.



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Downward Factors

- Moderation in scale of operations and/or profitability impacting the debt protection metrics on a sustained basis.
- Moderation in capital structure.
- Elongation in the operating cycle impacting the liquidity profile.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced management

KCC Infra Private Limited was established a partnership firm earlier, converted into company in May 2021. The company is promoted by Mr. Hitesh Jangir and Rupesh Jangir who have more than two decades of experience in the road construction industry. The promoters have an extensive experience of over a decade in the construction sector.

Growing scale of operations and healthy profitability

KCC Infra has achieved consistent growth in its total operating income at a CAGR of ~24% during FY21 to FY23 with an y-o-y growth of ~43% in FY23 (provisional). The growth was largely driven by steady execution of contracts by the company supported by consistent order inflow during the aforesaid period. The company has reported a healthy profitability marked by healthy EBITDA margin and satisfactory PAT margin. KCC Infra witnessed improvement in its EBITDA margin from 4.44% in FY21 to 17.48% in FY23 (provisional). The growth in operating margin was mainly due to higher focus of the company to execute high margin orders. With growth in EBITDA margin, the PAT margin of the company has also improved from 3.75% in FY21 to 8.46% in FY23 (provisional).

Strong order book position reflecting satisfactory medium-term revenue visibility



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KCC Infra has a strong unexecuted order book of around Rs.859.37 crore as on March 31, 2023, which is 3x of the total operating income reported in FY23 (provisional). This indicates a satisfactory near to medium term revenue visibility.

Comfortable debt protection metrics

The debt protection metrics stood comfortable marked by interest service coverage ratio (ISCR) of 7.55x in FY23 (FY22: 6.60x). Total Debt to GCA stood satisfactory at 2.47 years as on March 31, 2023 (provisional) as against 4.58 years as on March 31, 2022 .

Key Rating Weaknesses

Moderate Capital Structure

The capital structure of the company remained moderate over the past three account closing dates. The company has adjusted net worth base of Rs.71.03 crore as on March 31, 2023 (provisional). The debt equity ratio and the overall gearing ratio of the company stood satisfactory at 0.75x and 1.15x respectively as on March 31, 2023 (provisional) as against 0.70x and 1.32x respectively as on March 31, 2022.

Order book concentration risk

KCC Infra is majorly engaged in the construction and maintenance, of roads, highways, bridges, tunnels, and other transportation infrastructure. The company derived revenue primarily from government contracts, toll collections, availability payments, or a combination of these sources. Also, all the orders are concentrated in the state of Manipur and Madhya Pradesh, which exposes KCC Infra to geographical concentration risks associated with the number of tenders floated in the state, changes in government policy, political instability and occurrences of natural calamities. Nonetheless, the geographical concentration risk is offset by the operational synergies derived by the proximity of projects to one another in terms of facilitating smooth movement and pooling of manpower and machinery.

Highly fragmented & competitive nature of the construction sector



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The infrastructure/ 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 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 users with respect to quality of output.

Analytical Approach: For arriving at the ratings, IVR has analysed KCC Infra's credit profile by considering the standalone financial statements of the company.

Applicable Criteria:

[Rating Methodology for Infrastructure Companies](#)

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

[Criteria for assigning rating outlook](#)

Liquidity – Adequate

KCC Infra has generated a cash accrual of Rs.33.13 crore in FY23 (provisional) against the debt repayment obligations of Rs.14.70 crore. Further, KCC Infra liquidity position is adequate marked by sufficient cushion in expected accruals vis-à-vis its repayment obligations in FY24-FY26. Average fund-based utilization of bank limits for last 12 months ended April 2023 stood at ~79.00% indicating insufficient buffer to meet incremental requirements. Further, the company has reported unencumbered cash and bank balance of Rs.12.09 crore as on March 31, 2023 (provisional). All these factors reflect adequate liquidity position of the company.

About the Company

KCC Infra Private Limited was established as a partnership firm earlier, converted into company in May 2021. The company is based in Jaipur and is engaged in construction and maintenance of roads, highways, bridges, tunnels, and other transportation infrastructure. The company is promoted by Mr. Hitesh Jangir and Rupesh Jangir who has more than two decades of experience in the road construction industry. The major clientele are Rural Road Development Authority, Public Works Department, Madhya Pradesh and National Highway & Infrastructure Development. Corporation etc. The company derived revenue primarily from



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government contracts, toll collections, availability payments, or a combination of these sources.

Financials (Standalone):

(Rs. Crore)

For the year ended*	31-03-2022	31-03-2023
	Audited	Provisional
Total Operating Income	181.61	259.21
EBITDA	17.26	45.31
PAT	7.80	22.21
Total Debt	64.51	81.78
Tangible Net worth	13.68	35.91
Adjusted Tangible Net Worth	48.83	71.03
EBITDA Margin (%)	9.50	17.48
PAT Margin (%)	4.23	8.46
Overall Gearing Ratio (x)	1.32	1.15

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: None.

Any other information: Nil

Rating History for last three years:

Sr. No.	Type of 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.	Cash Credit	Long Term	25.15	IVR BBB-/ Stable	-	-	-
2.	Bank Guarantee	Short Term	134.10	IVR A3	-	-	-

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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.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit 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 (Rs. Crore)	Rating Assigned/ Outlook
Long Term Facilities - Cash Credit	-	-	-	25.15	IVR BBB-/ Stable



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Short Term Facilities – Bank Guarantee	-	-	-	134.10	IVR A3
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Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/len-kcc-jul23.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 [Complexity Level of Rated Instruments/Facilities](#).