



## Press Release

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

October 14, 2021

#### Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	15.81	IVR BBB- / Stable (IVR Triple B Minus with Stable Outlook)	Assigned
Short Term Bank Facilities	91.00	IVR A3 (IVR A Three)	Assigned
<b>Total</b>	<b>106.81</b> <b>(One Hundred and Six</b> <b>Crore and Eighty-One</b> <b>Lacs)</b>		

Details of Facilities are in Annexure 1

#### Detailed Rationale

The ratings assigned to bank facilities of K.C.V.R Infra Projects Private Limited factors Long Track Record of Operation and Experienced Promoters, Reputed Clientele, Healthy Order Book and Volatile but Healthy Profitability. However, rating is constrained owing to Geographical and Project Concentration, Vulnerability of Profitability to Fluctuations in Raw Material Price and Competitive Nature of the Industry.

#### Key Rating Sensitivities:

##### Downward Factors

- Negative pressure on KCVR's rating could arise in case of slow project execution or delay in collections, thereby weakening its liquidity position. Further, timely scale up of operations, steady progress across projects, along with timely release of payments, remain the key monitorable.

##### Upward Factors

- Infomerics could upgrade the rating if improving scale of operations is accompanied by improved profitability levels.

#### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths



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### **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.

### **Reputed Clientele**

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

### **Healthy Order Book**

As on June 2021, the Company has pending order book of INR 398.56 Crore; (order book to FY2021 operating income ratio of 2.3 times) providing medium-term revenue visibility as the projects have to be completed within 12-18 months.

### **Healthy Financial Profile**

Company's operating profitability margins fluctuated between 6.4% and 12.25% during FY18-FY21, 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, almost all the contracts executed by the company have escalation clauses built-in, mitigating input price volatility. The return on capital employed was 17% in FY21 (P) (FY20: 11.4%). Company recorded overall gearing of 0.43x in FY21 (P) as compared to 1.27x in FY20 and interest coverage ratio of 3.21x in FY21 (P) as against 2.89x in FY20.

### **Key Rating Weaknesses**

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

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



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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 Price**

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)

### **Liquidity – Adequate**

The liquidity profile of KCVR is expected to remain adequate marked by its expected satisfactory cash accrual in the range of ~INR10-15 crore as against a debt repayment obligation in the range of ~INR1.00 crore during FY22-FY24. The company maintains moderate cash and bank balance to meet its liquidity requirements. As at March 31, 2021, the company had cash & balance of INR11.09Crore.

### **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



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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)\*:

(In Crore)

For the year ended / As on	31-03-2019	31-03-2020	31-03-2021
	(Audited)	(Audited)	(Provisional)
Total Operating Income	166.71	114.47	170.28
EBITDA	11.66	14.00	18.38
PAT	4.47	4.23	6.82
Total Debt	37.78	55.09	21.35
Adjusted Tangible Net-Worth	39.14	43.37	50.18
<b>Ratios</b>			
EBITDA Margin (%)	6.99	12.23	10.79
PAT Margin (%)	2.66	3.66	3.99
Overall Gearing Ratio (x)	0.97	1.27	0.43

\* Classification as per Infomerics' standards

**Status of non-cooperation with previous CRA:** KCVR has not cooperated with Acuité Ratings & Research Limited and India Ratings and Research, and they have classified it as non-cooperative vide release dated February 16, 2021 and May 25, 2020, respectively. The reason provided by both these rating agencies is non-furnishing of information for monitoring of ratings.

**Any other information:** None

### 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 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Term Loan	Long Term	2.81	IVR BBB-/ Stable Outlook	--	--	--



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2.	Cash Credit	Long Term	13.00	IVR BBB-/ Stable Outlook	--	--	--
3.	Bank Guarantee	Short Term	88.00	IVR A3	--	--	--
4.	Letter of Credit	Short Term	3.00	IVR A3	--	--	--

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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 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 (INR Crore)	Rating Assigned/ Outlook
Term Loan	-	-	FY25	2.81	IVR BBB-/ Stable
Cash Credit				13.00	IVR BBB-/ Stable
Bank Guarantee				88.00	IVR A3
Letter of Credit				3.00	IVR A3
Total				106.81	

Annexure 2: List of companies considered for consolidated analysis: N/A

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/KCVR-Infra-lenders-oct21.pdf>

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

### Annexure 5: Complexity level of the rated Instruments/Facilities

Sr No.	Instrument	Complexity Indicator
1.	Term Loan	Simple
2.	Cash Credit	Simple
3.	Bank Guarantee	Simple
4.	Letter of Credit	Simple

**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).