



Press Release

KKSpun India Limited (KKSIL)

February 11, 2021

Ratings

Instrument Facility /	Amount (Rs. crore)	Ratings	Rating Action
Long term Bank Facilities	209.13 (enhanced from Rs. 144.00)	IVR A-/Credit watch with Developing Implications (IVR A Minus / Credit Watch with Developing Implications)	Reaffirmed; Outlook Revised to Credit Watch with Developing Implications from Stable
Short term Bank Facilities	550.00 (enhanced from Rs. 476.00)	IVR A2+ (IVR A Two Plus)	Reaffirmed;
Total	759.13 (Seven Hundred and Fifty-Nine Crore and Thirteen Lacs)		

Details of Facilities are in Annexure 1

Detailed Rationale

KKSIL's rating outlook has been revised to Credit Watch with Developing Implications on account of COVID-19 impact on the business and financial performance in 9MFY2021. Infomerics shall closely monitor the quarterly performance to assess the overall impact on the credit matrices going forward.

The aforesaid rating reaffirmation of the bank facilities continue to derive strength from Long Operational Track Record and Experienced Management, Improved Scale of Operations & Healthy Operating Profitability, Strong Order Book and Wide Product Profile, Reputed Client Base and Government Focus on Sector. The rating, however, is constrained by Revenue Dominated by Tender-Based Operations and Moderating Financial Profile.



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Key Rating Sensitivities:

Upward Factors

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

Downward Factors

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

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Long Operational Track Record 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 industry experience of over a decade. With promoters' experience, their strong industry association, technical know-how & integrated operations, Company has integrated forward by transitioning to become an EDMC (Engineering, designing, manufacturing and construction) player from a pure RCC supplier.

Improved Scale of Operations & Healthy Operating Profitability

Over past 3 years, the Company's total income from operations increased gradually, from INR ~400 Crore in FY18 to INR ~432 Crore in FY19 to INR~600 Crore in FY20, indicating an average growth rate of 18%. The EBITDA margin remained healthy at ~15%-18% during the period.

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 diameters of 150-3600 millimetre. The Company caters to 4 business verticals viz. Manufacturing, Large Water and Irrigation System,



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Smart Sewerage System and Waste Water Management, Sewer and Storm Rehabilitation. As on December 31, 2020, the company had a healthy order book worth INR 2774 Crore; of which POs worth INR 1466 Crore have already been executed as on December 31, 2020. Balance orders worth INR 1308 Crore are in process to be executed.

Reputed Client Base and Government Focus on Sector

Company, 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, Pratibha Mosinzhstroi Consortium, Brij Gopal Construction, Sadbhav Construction etc & various other Govt. projects.

Government Focus on Sector

There is increased focus of government on Infrastructure development. KKSIL 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 FY20, 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.

Moderating Financial Profile

Overall gearing increased from 0.86x in FY19 to 1.22x in FY20, 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



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and DSCR, deteriorated in FY20 as compared to FY19. Nonetheless, gearing and coverage metrics remain comfortable, with interest coverage at 2.59x (FY19: 3.47x) and DSCR at 1.16x (1.17x), in FY20.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non- Financial Sector)

Liquidity – Adequate

Company has free cash and cash equivalents of INR 59.23Crore as against debt repayment of INR 25.11Crore in FY20. Working capital limits are almost fully utilised. However, Company has received in principal approval of additional INR80Crore CC/OD limits from its banking consortium, which will provide further liquidity cushion. Company's GCA is recorded at INR38.55Crore in FY20.

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.



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Financials (Standalone)*:

(In Crore)

For the year ended / As on	31-03-2018	31-03-2019	31-03-2020
	(Audited)	(Audited)	(Audited)
Total Operating Income	401.03	431.63	599.56
EBITDA	72.31	74.12	90.61
PAT	19.61	19.86	20.89
Total Debt	119.05	131.17	182.96
Tangible Net-Worth	133.34	153.20	174.09
Ratios			
EBITDA Margin (%)	18.03	17.17	15.11
PAT Margin (%)	4.87	4.57	3.46
Overall Gearing Ratio (x)	0.89	0.86	1.05

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: N.A.

Any other information: None

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Long term Bank Facilities – Term Loan	Fund Based	59.13 (reduced from Rs. 74.00)	IVR A-/Credit watch with Developing Implications (IVR A Minus / Credit Watch with Developing Implications)	IVR A-/Stable Outlook (IVR A Minus with Stable Outlook)	--	--
2.	Long term Bank Facilities – CC/OD	Fund Based	85.00 (Enhanced from 70.00)	IVR A-/Credit watch with Developing Implications (IVR A Minus / Credit Watch with Developing Implications)	IVR A-/Stable Outlook (IVR A Minus with Stable Outlook)		



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3.	Long term Bank Facilities – Proposed CC/OD	Fund Based	65.00	IVR A-/Credit watch with Developing Implications (IVR A Minus / Credit Watch with Developing Implications)			
4.	Short term Bank Facilities – LC	Non-Fund Based	469.00 (reduced from Rs. 476.00)	IVR A2+ (IVR A Two Plus)	IVR A2+ (IVR A Two Plus)		
5.	Short term Bank Facilities – Proposed LC/BG	Non-Fund Based	81.00	IVR A2+ (IVR A Two Plus)			

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.

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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



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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	Size of Facility (Rs. Crore)	Maturity Date	Rating Assigned/ Outlook
Long Term Bank Facilities – Term Loan	59.13	2025/ 2021	IVR A-/Credit watch with Developing Implications (IVR A Minus / Credit Watch with Developing Implications)
Long Term Bank Facilities – Fund Based Limits – Cash Credit/OD	85.00	-	IVR A-/Credit watch with Developing Implications (IVR A Minus / Credit Watch with Developing Implications)
Long Term Bank Facilities – Fund Based Limits – Proposed Cash Credit/OD	65.00	-	IVR A-/Credit watch with Developing Implications (IVR A Minus / Credit Watch with Developing Implications)
Short Term Bank Facilities – Non-Fund Based Limits – LC/BG	469.00	-	IVR A2+ (IVR A Two Plus)



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Short Term Bank Facilities – Non-Fund Based Limits – Proposed LC/BG	81.00	-	IVR A2+ (IVR A Two Plus)
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Annexure 2 lender's Details

<https://www.infomerics.com/admin/prfiles/lender-kkspun.pdf>

