

Kamal & Associates Private Limited

February 19, 2019

Rating

Sl. No.	Instrument/Facility	Amount (Rs. Crores)	Rating Assigned
1	Bank Facilities- Long Term	5.00	IVR BB+/Positive Outlook (IVR Double B Plus with Positive Outlook)
2.	Bank Facilities- Short Term	5.00	IVR A4+ (IVR A Four Plus)

Details of Facilities are in Annexure 1

Detailed Rationale

The rating draws comfort from the extensive experience of its promoters in the construction industry, highly experienced technical and managerial team, healthy order book and reputed clientele and a comfortable financial risk profile. These strengths are partially offset by modest scale of operations of the Company and highly fragmented & competitive nature of the construction sector. The positive outlook is based on expectation of the company improving debt protection parameters and expanding scale of operations in the short run. Scaling up of operations, profitability and gearing levels are the key rating sensitivities.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters

The promoters have long standing experience in the construction industry, which has helped the company clock a compounded annual growth rate of 12.97% in its total operating income over the three years through FY18. The Company is likely to benefit from its promoters extensive experience over the medium term.

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Healthy Order Book

KAPL had a healthy order book of Rs.152.43crore as on March 31, 2018. The Company secured new orders to the tune of Rs.102.59crore during the nine months through December 2018 and the order book increased to ~Rs.174.74crore as on December 31, 2018 (1.48x the revenue for FY18) which provides healthy revenue visibility over the medium term.

Comfortable financial risk profile

KAPL has a comfortable financial risk profile marked by overall gearing of 0.40x as on March 31, 2018. The debt protection parameters of the company also remained strong with the interest coverage ratio of 8.89x and Total debt/ GCA of 1.11x. The financial risk profile is likely to remain comfortable over the medium term.

Highly experienced managerial & technical team

The management team of the company includes highly qualified & experienced professionals with many experienced engineers having rich credentials in the construction sector.

Reputed clientele

KAPL's client mix is diverse and comprises many well-known private sector corporates such as Radisson Blu, Omaxe among others. The Company also executes projects for various departments of the Government and has repeat orders from its clientele testifying its construction capabilities.

Key Rating Weaknesses

Modest scale of operations

KAPL has a modest scale of operations in an intensely competitive industry which is marked by the presence of large companies as well as several small players. Though the scale is expected to improve over the medium term on the back of extensive experience of promoters and a healthy order book, it will remain modest.

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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.

Analytical Approach & Applicable Criteria:

Standalone

Rating Methodology for Infrastructure Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity

The Company has comfortable liquidity as reflected in expected healthy accruals over the medium term as against repayment obligations. Further liquidity is supported by unencumbered cash and bank balance of Rs.2.94crore as on March 31, 2018.

About the Company

Kamal & Associates Pvt Ltd (KAPL) was set up as a partnership firm by Mr. Kamal Singh and Mr.Satish Aggarwal in 1992 and later reconstituted as a private limited company in 1999. The New Delhi-based company is engaged in construction of residential and commercial projects.

Financials (Standalone):

	(Rs. crore)	
For the year ended*	31-03-2017	31-03-2018
	Audited	Audited
Total Operating Income	94.03	117.79
EBITDA	7.73	9.79

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For the year ended*	31-03-2017	31-03-2018
PAT	2.68	4.56
Total Debt	7.69	7.84
Tangible Net worth	14.96	19.39
EBITDA Margin (%)	8.22	8.31
PAT Margin (%)	2.84	3.86
Overall Gearing Ratio (x)	0.51	0.40

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2018-19)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17	Date(s) & Rating(s) assigned in 2015-16
1.	Long Term Fund Based Limits – Cash Credit	Long Term	5.00	IVR BB+/Positive	-	-	-

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Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2018-19)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17	Date(s) & Rating(s) assigned in 2015-16
2.	Short Term Non Fund Based Limits – ILG	Short Term	5.00	IVR A4+	-	-	-

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.

Name and Contact Details of the Rating Analyst:

Name: Ms.AakritiSachdeva

Tel: (011) 2465 5636

Email: asachdeva@infomerics.com

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 (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facilities – Cash Credit	-	-	-	5.00	IVR BB+/Positive
Short Term Bank Facilities – ILG	-	-	-	5.00	IVR A4+