



## Rating Rationale

Kridhan Infra Limited

4th Jan 2019

**Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 30.00 Crores of Kridhan Infra Limited.**

### Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
<b>Fund based</b> Cash Credit	<b>18.00</b>	<b>Long Term</b>	<b>BWR BBB-</b> (Pronounced as BWR Triple B Minus) <b>(Outlook:Stable).</b>
<b>Non Fund Based</b> Letter of Credit - Existing Letter of Credit- Proposed	<b>6.00</b> <b>6.00</b>	<b>Short Term</b>	<b>BWR A3</b> (Pronounced as BWR A three )
<b>Total</b>	<b>30.00</b>	<b>INR Thirty Crores Only</b>	

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

### Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon standalone and consolidated audited financials from FY16 to FY18, projected financials for FY19 and FY20, and publicly available information and information/clarification provided by the company's management.

The ratings draw comfort from experience of the promoters in KIL and subsidiaries / associate companies steel and infrastructure industry, increasing top line YOY, healthy consolidated Order-book , moderate financial risk profile and coverage indicators. However the assigned rating is primarily constrained by reduced NPM, Inherent Risk involved in Tender based business & also Timely completion of the contracts/projects, Susceptibility to risks arising from industry, cyclical and volatility in EPC Industry and working capital intensive nature of business.

Going forward, the ability of the group to continue bagging contracts on a continuous basis and to execute the same in a timely manner is the key rating sensitivity. Any other major debt funded acquisition affecting the capital structure of the group is the key rating sensitivities.



## Description of Key Rating Drivers

### Credit Strengths:

- Experience of the promoters in steel & infrastructure industry for more than two decades.
- Healthy consolidated order-book position of Rs. 608 Crs as on November 2018 including Parent and subsidiaries companies.
- On consolidated basis, Topline of the company is increasing YoY, total operating income increased to Rs. 712.48 Crs in FY18 as against total operating income of Rs. 688.16 Crs in FY17 and Rs. 490.65 Crs in FY16. Further, company has achieved revenue of Rs. 364.80 Crs as on 30th September 2018.
- On consolidated basis, company is having healthy tangible net worth of Rs. 433.78 Crs as on 31st March 2018.
- Gearing has improved to 0.59 times in FY18 as against 1.43 times in FY17 due to increased net worth.
- Moderate debt protection metrics, ISCR of 6.78 times in FY18 as against ISCR of 5.95 times in FY17, DSCR of 5.84times in FY18 as against DSCR of 5.01 times in FY17.
- Liquidity profile of the company has improved in FY18, current ratio stood at 1.51 times in FY18 as against 1.01 times in FY17.

### Credit Risks:

- Net profit margin (excluding exceptional items) level has reduced from 9.57% in FY17 to 7.78% in FY18..
- Highly fragmented and competitive construction industry and thus faces stiff competition from other players.
- Tender based nature of business.
- Industry risk related to government regulations.
- Working capital intensive nature of operations.

### Liquidity Analysis:

Working capital cycle is stretched because of high level build up of Receivables upto 132 days and high level of other current assets. The average utilisation of working capital limits remained at the moderate level of ~84%. The current ratio is above unity & stood at 1.51x as on 31st March 2018. The cash & cash equivalent balance stood at Rs.30.77Crs as on 31st March 2018. The company has net cash accruals of Rs.80.34 Crs as 31st March 2018.

### Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).



### **Rating Outlook: *Stable***

BWR believes the **Kridhan Infra Limited** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

### **About the Company**

Kridhan Infra Ltd. [KIL (formerly known as Readymade Steel India Ltd.)] was incorporated in 2006 as a joint venture between CSC Holdings Ltd., Singapore (South East Asia's largest piling company) and Anil Agrawal group. Later in 2007, Mr. Anil Agrawal took 100% shareholding in KIL.

KIL is engaged in the manufacturing of concrete piles & cast-in place, couplers and readymade steel bars (around 6mm to 40mm diameter) etc. The company's manufacturing facility is located at Khopoli, Maharashtra with an installed capacity of 27,000 metric tons per annum (MTPA) with utilisation capacity of 80-90% in FY18.

In 2011, 90% stake was acquired in KH Foges Pte Ltd. (KHF) through Readymade Steel Singapore Pte Ltd. (100% subsidiary of KIL). During 2014, KHF acquired 100% of PSL Engineering Pte Ltd. (Singapore's leading micro piling company) and Rotary Piling Pte Ltd. (specialized in ground engineering equipment rental) in Singapore. Further KHF spreads its footprint to Myanmar through execution of piling project and then 35% stake acquisition in Econ Geotech Pte Ltd. which is engaged in soil investigation, geotechnical engineering and consultancy. Later in 2016; the company through its Singapore subsidiary KH Foges Pte has acquired a majority stake of 52.44% in Swee Hong Ltd. Thus over the series of acquisitions, Kridhan has evolved and it provides mechanical splicing (couplers) and threading solutions in India.

Its services include bored piling for construction of large buildings; driven piling; micro piling for low-rise buildings, such as residential housing; soil improvement through addition of sand, and soil investigation to assess the suitability of soil for proposed construction. It has operations in Singapore, Myanmar, Malaysia and other South East Asian countries. In FY17-18 KIL has acquired 41.47% stake in Vijay Nirman Company Pvt. Ltd.(VNC). It is the associate company of KIL. KIL is planning to acquire 50.50% stake by FY19 in VNC.

### **Company Financial Performance**

On standalone basis, in FY18 the company achieved total operating revenue of Rs. 88.01 Crs and PAT of Rs.0.84 Crs compared to total operating revenue of Rs. 72.38 Crs and PAT of Rs. 0.94 Crs in FY17.



On consolidated basis, in FY18 the company achieved total operating revenue of Rs 712.48 Crs and PAT of Rs. 39.15 Crs as compared to total operating revenue of Rs. 688.16 Crs and PAT of Rs. 169.69 Crs in FY17, however PAT in FY17 was supported by the exceptional item income of Rs. 103.86 Crs, the company has incurred exceptional item expense of Rs. 16.30 Crs in FY18.

The list of group companies forming part of consolidated financial statements as on March 31st, 2018 are as per annexure.

### Rating History for the last three years

S.No	Facility	Current Rating			Rating History		
		Type	Amount (₹ Crs)	Rating	2017	2016	2015
1	Fund Based	Long Term	18.00	<b>BWR BBB-</b> (Pronounced as BWR Triple B Minus) <b>(Outlook:Stable).</b>	-	-	-
2	Non Fund Based	Short Term	12.00	<b>BWR A3</b> (Pronounced as BWR A three )	-	-	-
	<b>Total</b>		<b>30.00</b>	<b>₹ Thirty Crores Only</b>			

Status of non-cooperation with previous CRA :NA

Any other information: NA

### Key Financial Indicators

Key Parameters	Units	Standalone		Consolidated	
		2018	2017	2018	2017
Result Type		Audited	Audited	Audited	Audited
Operating Revenue	₹ Cr	88.01	72.38	712.48	688.16
EBITDA	₹ Cr	6.63	2.83	109.51	104.59
PAT	₹ Cr	0.84	0.94	39.15	169.69
Tangible Net worth	₹ Cr	300.15	96.20	433.78	165.53



Total Debt/Tangible Net worth	Times	0.03	0.19	0.59	1.43
Current Ratio	Times	10.25	1.78	1.51	1.01

### Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Infrastructure Sector](#)
- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website

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#### Note on complexity levels of the rated instrument:

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#### About Brickwork Ratings

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#### Annexure

List of group companies forming part of consolidated financial statements as on March 31st, 2018

<b>Name of the Group companies</b>	<b>Proportion of interest</b>
RMS Singapore Pte Ltd	100%
Kridhan Infra Solutions Pvt Ltd	100%
Vijay Nirman Company P Ltd	41.47%
KH Foges Pte Ltd	100%
Rotary Piling Pte Ltd	100%
PSL Engineering Pte Ltd	100%
KH Foges India Pte Ltd	100%
Econ Geotech Pte Ltd	100%
Swee Hong Ltd	52.44%