

## Rating Advisory

October 09, 2020 | Mumbai

### Kasana Builders Private Limited

#### Advisory as on October 09, 2020

This rating advisory is provided in relation to the rating of Kasana Builders Private Limited

The key rating sensitivity factors for the rating include:

- Working capital management
- Scale of operations and profitability
- Successful bidding of tenders

CRISIL Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, it seeks regular updates from companies on business and financial performance. CRISIL is yet to receive adequate information from Kasana Builders Private Limited (KBPL) to enable it to undertake a rating review. CRISIL is taking all possible efforts to get the rated entity to cooperate with its rating process for enabling it to carry out the rating review.

CRISIL views information availability risk as a key factor in its assessment of credit risk. (Please refer to CRISIL Ratings publication dated April 30, 2012 - 'Information Availability - a key risk factor in credit ratings')

If KBPL continues to delay the provisioning of information required by CRISIL to undertake a rating review then, in accordance with circulars SEBI/HO/MIRSD/MIRSD4/CIR/P/2016/119 dt. Nov 1, 2016, SEBI/HO/MIRSD/ MIRSD4/CIR/P/2017/71 dt. June 30, 2017 and SEBI/HO/MIRSD/CRADT/CIR/P/2020/2 dt January 3, 2020 issued by Securities and Exchange Board of India, CRISIL will carry out the review based on best available information and issue a press release.

#### About The Company

KBPL was set up in 1988, by Mr Kushal Pal Singh and his brothers, Mr MP Singh and Mr NP Singh. The company started operations only in 2008, when it took over the business of Kasana Builders, a proprietorship firm of Mr Kushal Pal Singh. Following this, Mr MP Singh and Mr NP Singh retired from the company, and Mr Narendra Panwar was appointed as director.

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## Rating Rationale

July 24, 2019 | Mumbai

### Kasana Builders Private Limited

*Rated amount enhanced*

#### Rating Action

<b>Total Bank Loan Facilities Rated</b>	<b>Rs.117.5 Crore (Enhanced from Rs.96.5 Crore)</b>
<b>Long Term Rating</b>	<b>CRISIL BB+/Stable (Reaffirmed)</b>
<b>Short Term Rating</b>	<b>CRISIL A4+ (Reaffirmed)</b>

1 crore = 10 million

Refer to annexure for Details of Instruments & Bank Facilities

#### Detailed Rationale

CRISIL ratings on the bank facilities of Kasana Builders Private Limited (KBPL)'s continue to reflect the extensive experience promoters, the healthy order inflow, and above-average financial risk profile. These strengths are partially offset by exposure to risks arising from geographical concentration in revenue and the tender-based nature of business.

#### Analytical Approach

Unsecured loans of Rs 0.51 crore, extended by the promoters, have been treated as debt, as the loans may be withdrawn in the medium term.

#### Key Rating Drivers & Detailed Description

##### **Strengths:**

##### **\* Extensive experience of the promoter**

The two decade-long experience of the promoter, in the civil construction segment, has helped the company form healthy relationships with customers, execute diverse projects successfully, and win repeat orders.

##### **\* Healthy flow of orders**

Orders worth nearly Rs 450 crore, to be executed over the next 2-3 years, comprise projects for various development authorities in Uttar Pradesh (UP) and Madhya Pradesh.

##### **\* Healthy financial risk profile**

Financial risk profile is marked by a conservative capital structure and comfortable debt protection metrics. Total outside liabilities to adjusted networth (TOL/ANW) ratio stood at 2.04 times as on March 31, 2019, and is expected to be in the range of 1.5-2 times over the medium term. Debt protection metrics were comfortable, with interest coverage and net cash accrual to adjusted debt ratios of around 3.54 times and 0.36 time, respectively, for fiscal 2019, and are likely to be in the range of 2.5-3.5 times and 0.40-0.50 time, respectively, over the medium term.

##### **Weakness**

**\* Exposure to risks arising from tender-based business:** The tender-based nature of operations limits pricing flexibility, and revenue performance depends on the company's ability to bid successfully. Operating margin is also constrained by competitive pricing in the civil construction industry. Profitability on each project is subject to pricing, availability of labour, machinery mobilisation, weather, and geological conditions.

#### Liquidity

Liquidity is adequate as reflected in net cash accrual of Rs 8.50 crore expected for fiscal 2020 against maturing debt of Rs 1.85 crore for the same period. Bank limit was however, highly utilised, at 90-95% throughout the year.

## **Outlook: Stable**

CRISIL believes KBPL will continue to benefit from the extensive experience of its promoters, and the healthy order inflow. The outlook may be revised to 'Positive' if substantial growth in revenue, driven by timely execution of orders, and stable profitability, lead to considerably higher cash accrual. The outlook may be revised to 'Negative' in case of a stretch in working capital cycle, or higher investments in real estate/land or in affiliate entities, weakens liquidity.

## **About the Company**

KBPL was set up in 1988, by Mr Kushal Pal Singh and his brothers, Mr MP Singh and Mr NP Singh. The company started operations only in 2008, when it took over the business of Kasana Builders, a proprietorship firm of Mr Kushal Pal Singh. Following this, Mr MP Singh and Mr NP Singh retired from the company, and Mr Narendra Panwar was appointed as director.

KBPL undertakes civil construction works for government buildings (residential and commercial), roads, sewerage systems, drainages, and bridges on a contractual basis, mainly in UP. It is a registered contractor for various government departments in UP.

## **Key Financial Indicators**

Particulars	Units	2019	2018
Revenue	Rs crore	131.49	127.89
Profit after tax (PAT)	Rs crore	5.48	4.88
PAT Margin	%	4.17	3.80
Interest cover	Times	0.63	0.65
Gearing	Times	3.54	3.24

**Any other information:** Not applicable

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

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## Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs crore)	Rating assigned with outlook
NA	Bank Guarantee	NA	NA	NA	99.00	CRISIL A4+
NA	Cash Credit	NA	NA	NA	18.50	CRISIL BB+/Stable

## Annexure - Rating History for last 3 Years

Instrument	Type	Current		2019 (History)		2018		2017		2016		Start of 2016
		Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund-based Bank Facilities	LT/ST	18.50	CRISIL BB+/Stable	25-01-19	CRISIL BB+/Stable	12-01-18	CRISIL BB+/Stable	02-08-17	CRISIL BB+/Stable	05-12-16	CRISIL BB/Stable	CRISIL BB/Stable
Non Fund-based Bank Facilities	LT/ST	99.00	CRISIL A4+	25-01-19	CRISIL A4+	12-01-18	CRISIL A4+	02-08-17	CRISIL A4+	05-12-16	CRISIL A4+	CRISIL A4+

All amounts are in Rs.Cr.

## Annexure - Details of various bank facilities

Current facilities			Previous facilities		
Facility	Amount (Rs.Crore)	Rating	Facility	Amount (Rs.Crore)	Rating
Bank Guarantee	99	CRISIL A4+	Bank Guarantee	79	CRISIL A4+
Cash Credit	18.5	CRISIL BB+/Stable	Cash Credit	17.5	CRISIL BB+/Stable
<b>Total</b>	<b>117.5</b>	<b>--</b>	<b>Total</b>	<b>96.5</b>	<b>--</b>

## Links to related criteria

[CRISILs Approach to Financial Ratios](#)

[CRISILs Bank Loan Ratings - process, scale and default recognition](#)

[Rating criteria for manufacturing and service sector companies](#)

[Rating Criteria for Construction Industry](#)

[Rating Criteria for Engineering Sector](#)

[CRISILs Criteria for rating short term debt](#)

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