

## K. K. Sorathia

January 18, 2022

### Ratings

Facilities / Instruments	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
<b>Long Term / Short Term Bank Facilities</b>	<b>37.00</b>	<b>CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING* (Double B; Outlook: Stable/ A Four ISSUER NOT COOPERATING*)</b>	<b>Rating moved to ISSUER NOT COOPERATING category</b>
<b>Total Facilities</b>	<b>37.00 (Rs. Thirty-Seven Crore Only)</b>		

Details of instruments/facilities in Annexure-1

#### Detailed Rationale and Key Rating Drivers:

CARE Ratings Ltd has been seeking information from K. K. Sorathia (KKS) to monitor the ratings vide e-mail communications/letters dated August 03, 2021, August 12, 2021, August 17, 2021, September 30, 2021, October 05, 2021, October 07, 2021, October 19, 2021, October 22, 2021, October 29, 2021, November 08, 2021, November 17, 2021, December 15, 2021, December 31, 2021, January 07, 2022 and numerous phone calls. However, despite our repeated requests, the firm has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the ratings on the basis of the best available information which however, in CARE Ratings Ltd's opinion is not sufficient to arrive at a fair rating. The rating on KKS's bank facilities will now be denoted as **CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING\***.

***Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).***

The ratings assigned to the bank facilities of KKS takes into account moderate scale of operations and profitability during FY20 (audited; FY refers to April 01 to March 31). The ratings remained constrained on account of proprietorship nature of constitution, geographic concentration risk and tender driven nature of business with high competitive intensity. The ratings, however, continue to derive strength from extensive experience of promoter with established business operations along with established clients and its comfortable capital structure as well as debt coverage indicators.

#### Detailed description of the key rating drivers

*At the time of last rating on December 08, 2020 the following were the rating strengths and weaknesses*

#### Detailed description of key rating drivers

##### Key Rating Weaknesses

##### ***Moderate scale of operations and moderate profitability***

The scale of the operations of the firm decreased by 5.50% and continue to remain moderate marked by Total Operating Income (TOI) at Rs.46.08 crore in FY20 as against Rs.48.76 crore in FY19. Further, the profitability margins of the firm have continued to remain moderate marked by PBILDT and PAT margins of 9.18% and 4.46% respectively in FY20 as against 8.98% and 3.96% respectively in FY20.

##### ***Proprietorship nature of constitution***

KKS is a proprietorship firm hence, constitution as proprietorship firm restricts its overall financial flexibility in terms of limited access to external funds for any future expansion plans. There is an inherent risk of withdrawal of capital due to the partnership constitution of the entity. The partner may withdraw capital from the business as and when it is required, which may put pressure on capital structure of the firm.

##### ***Geographic concentration risk***

KKS is a regional player in the construction industry and has executed various road projects mainly for government departments and that too is focused within the state of Gujarat, Rajasthan and Madhya Pradesh. KKS majorly covers Gujarat based Bhuj, Ahmedabad, Gandhinagar. The major work is focused in Bhuj region thereby reflecting geographical concentration risk.

##### ***Tender driven nature of business with high competitive intensity***

KKS participates in the tender passed by the government and private sector companies for civil and construction work. Hence, the entire business prospects are highly dependent on the government and private tenders. The business volume remains high in the years when there are government tenders and vice versa. The construction industry is highly fragmented in nature with presence of large number of unorganized players and a few large organized players. Further, the profitability also varies among

<sup>1</sup>Complete definitions of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and in other CARE Ratings Ltd.'s publications

\*Issuer did not cooperate; Based on best available information

the projects. Hence, the aggressive bidding by the players order to bag the contracts with high competition may lead to dip in its profitability.

### Key Rating Strengths

#### ***Extensive experience of its promoter***

The founder of K.K. Kotharia, Mr.Kunverji Kotharia is a Diploma in Civil Engineer by qualification and has almost 3 decades of experience in the civil and construction industry. He has developed long standing relationship with its clients thereby reflecting continuous receipt of orders on y-o-y basis.

#### ***Established business operations coupled with well established clients***

KKS is operating into construction industry since 1989 and over the period it has established strong relationship with various reputed customers. KKS has projects received from Sardar Sarovar Narmada Nigam Limited and Rail Vikas Nigam Limited which are to be completed in phase wise manner within five years which is expected to be completed within five years showing medium-term revenue visibility

#### ***Comfortable capital structure and debt coverage indicators***

The capital structure of the firm improved further and continue to remain comfortable marked by overall gearing of 0.34 times as on March 31, 2020 as against 0.87 times as on March 31, 2019.

The debt coverage indicators also improved and remained comfortable marked by total debt to GCA of 1.93 times as on March 31, 2020 as against 4.64 times as on March 31, 2019. The interest coverage ratio also remained comfortable at 4.07 times in FY20 as against 3.46 times in FY19.

**Analytical Approach:** Standalone

### Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Rating Outlook and Credit Watch](#)

[CARE's Policy on Default Recognition](#)

[Financial ratios – Non-Financial Sector](#)

[Liquidity Analysis of Non-Financial Sector entities](#)

[Rating Methodology-Construction](#)

[Short Term Instruments](#)

### About the Firm

Bhuj-Kutch (Gujarat) based K.K. Sorathia (Sorathia) was established in 1989 by Mr Kunverji K. Sorathia. KKS is registered as 'AA' class approved contractor by Government of Gujarat and works generally on road construction, repair and maintenance contract of roads for Government of Gujarat basis and has constructed number of residential, industrial and multi-storeyed buildings, canals and check dams.

Brief Financials (Rs. crore)	31-03-2020 (A)	FY21(A)	9MFY22 (Prov.)
Total operating income	46.08	NA	NA
PBILDT	4.23	NA	NA
PAT	2.05	NA	NA
Overall gearing (times)	0.34	NA	NA
Interest coverage (times)	4.07	NA	NA

A: Audited, NA: Not Available

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating History (Last three years):** Please refer Annexure-2

**Covenants of rated instrument/facility:** Please refer Annexure-3

**Complexity level of various instruments rated for this company:** Please refer Annexure-4

**Annexure-1: Details of Instruments/Facilities**

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Non-fund-based - LT/ ST-Bank Guarantees		-	-	-	20.00	CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING*
Non-fund-based - LT/ ST-Bank Guarantees		-	-	-	15.00	CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING*
Fund-based/Non-fund-based-LT/ST		-	-	-	2.00	CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING*

\*Issuer did not cooperate; Based on best available information

**Annexure-2: Rating History of last three years**

Sr. No	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Non-fund-based - LT/ ST-Bank Guarantees	LT/ST	20.00	CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING*	-	1)CARE BB; Stable / CARE A4 (08-Dec-20) 2)CARE B+; Stable; ISSUER NOT COOPERATING* (07-May-20)	-	1)CARE BB; Stable; ISSUER NOT COOPERATING* (14-Mar-19)
2	Non-fund-based - LT/ ST-Bank Guarantees	LT/ST	15.00	CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING*	-	1)CARE BB; Stable / CARE A4 (08-Dec-20) 2)CARE A4; ISSUER NOT COOPERATING* (07-May-20)	-	1)CARE A4; ISSUER NOT COOPERATING* (14-Mar-19)
3	Fund-based/Non-fund-based-LT/ST	LT/ST	2.00	CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING*	-	1)CARE BB; Stable / CARE A4 (08-Dec-20)	-	-

\*Issuer did not cooperate; Based on best available information

**Annexure 3: Covenants of rated instrument/facility:** Not Applicable**Annexure 4: Complexity level of various instruments rated for this Company**

Sr. No	Name of instrument	Complexity level
1	Fund-based/Non-fund-based-LT/ST	Simple
2	Non-fund-based - LT/ ST-Bank Guarantees	Simple

**Annexure 5: Bank Lender Details for this Firm**

Not Applicable

**Note on complexity levels of the rated instrument:** CARE has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

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### About CARE Ratings Limited:

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