KBC Infrastructures Private Limited

February 10, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	16.00	CARE BB; Stable	Rating removed from ISSUER NOT COOPERATING category and Reaffirmed
Long Term / Short Term Bank Facilities	10.00 (Enhanced from 9.19)	CARE BB; Stable / CARE A4	Rating removed from ISSUER NOT COOPERATING category and Reaffirmed
Long Term Bank Facilities	-	-	Withdrawn

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of KBC Infrastructures Private Limited (KBC) are constrained due to moderate order book providing medium term revenue visibility, declining profitability margins, segment and geographical concentration risk, stretched liquidity, susceptibility of profitability margins due to volatile material prices, fragmented nature of construction sector with tender based nature of operations and execution challenges.

However, ratings derive strength from stable financial performance for FY24 (Audited) and 9MFY25 (Provisional) [FY refers to the period April 01 to March 31], moderate capital structure and coverage indicators, experienced promoters with long and established track record of operations and stable industry outlook.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustained increase in scale of operations beyond Rs. 80 crores
- Operating margin of 10% and above on a sustainable basis

Negative factors

- Any significant decline in TOI or profitability by 20%
- Decline in order book below 2.5x of gross billing

Analytical approach: Standalone

Outlook: Stable

CARE Ratings Limited (CARE Ratings) believes that KBC will continue to benefit from promoter's extensive experience and long track record of operations

Detailed description of key rating drivers:

Key weaknesses

Declining profitability margins: The margins of the company have been fluctuating over the years. In FY23 it dropped significantly, however, it has remained stable in FY24 with PBILDT margin increasing slightly by 84 bps and stood at 11.57% as compared to 10.73% in FY23. The PAT margins moderated slightly by 39 bps to 1.25% in FY24 as compared to 1.64% in FY23. The reason for a significant decrease in the profitability is more reliance on revenue from sale of materials which have thin margins. Also, the raw material consumption cost has increased because of the increase in price of the cotton lint, which is one of the goods that the company trades.

Moderate order book providing medium term revenue visibility: KBC has an outstanding order book position of Rs. 136.09 crores as on September 30, 2024, which translates to an order book to Total operating income (TOI) ratio of 2.43x for FY24 reflecting medium term revenue visibility for the company. However, Rs.25.17 crore worth of orders are slowing moving because of clearance issues. Excluding slow moving orders, the order book to sales ratio stands at 1.92x. Most of the projects are funded by either central government or external agencies.

Segment and geographical concentration risk: The order book of KBC is concentrated in the roads and bridges segment. Moreover, all the construction projects undertaken by the company is concentrated in the State of Andhra Pradesh, exposing the company to concentration risk. Any decrease in infrastructure spending, slowdown in growth or any regulatory change in Andhra

[1]Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Pradesh could adversely affect the company. However, some comfort can be drawn from the fact that most of their projects are funded by central government.

Susceptibility of profitability margins due to volatile material prices: The construction material is the major cost driver. The prices of construction material are volatile in nature therefore cost base remains exposed to any adverse price fluctuations in the prices of material being major cost components. Accordingly, the profit margins of the company are susceptible to fluctuation in material prices. With limited ability to pass on the increase in material costs in a competitive operating spectrum and any substantial increase in raw material costs would affect the company's profitability. However, comfort can be drawn from the availability of price escalation clause in the work orders.

Fragmented nature of construction sector with tender based nature of operations and execution challenges: The infrastructure sector in India is highly fragmented and competitive with many small and mid-sized players. This, coupled with the tendering process in order procurement, results in intense competition within the industry, fluctuating revenues, and restrictions in profitability. Additionally, continued increase in execution challenges, including delays in land acquisition, regulatory clearances, aggressive bidding, interest rate risk and delays in project due to environmental clearance are other external factors that affect the credit profile of industry players. All these are tender- based and the revenues are dependent on the ability of the company to bid successfully for these tenders. The profitability margins come under pressure because of competitive nature of the industry. However, the promoter's long industry experience of nearly five decades mitigates this risk to some extent.

Key strengths

Stable total operating income in FY24: The TOI of the company remained stable in FY24 at Rs. 56 crores as compared to Rs 56.69 crores in FY23 with sale of construction material contributing Rs 26.45 crores in FY24 as compared to Rs. 29.96 crores in FY23 and the construction business contributed Rs. 29.55 crore in FY24 as compared to Rs. 26.73 crore in FY23. TOI for 9MFY25 stood at ~Rs. 22 crore and the company is expecting to achieve a TOI of ~Rs. 50 crores for FY25.

Moderate capital structure and coverage indicators: The capital structure of KBC attributes to term loans and working capital borrowings. Overall gearing remained at similar levels at 1.31x as on March 31, 2024, as compared to 1.35x as on March 31, 2023. Despite a significant drop in the outstanding term loan the debt level increased marginally because of increase in the working capital requirement. The interest coverage ratio marked by PBILDT/interest has moderated slightly to 2.27x in FY24 as compared to 2.45x in FY23.

Long and established track record of operations: KBC Infrastructures Private Limited (KBC) started as a partnership firm around 35 years back and was reconstituted into a private limited company on July 24, 2007. It has more than three decades of years of operation in the construction industry. The company is designated as Class 1 contractor under Government of Andhra Pradesh. They have been executing projects pertaining to construction of roads, bridges, and other infrastructure works.

Stable industry outlook: The construction industry contributes around 8% to India's Gross domestic product (GDP). Growth in infrastructure is critical for the development of the economy and hence, the construction sector assumes an important role. The construction sector in India is expected to register a growth of around 6% from 2023 to 2025 supported by a strong pipeline of infrastructure projects. Under the Union Budget 2023-24, the Government of India has allocated Rs. 2.7 lakh crore (US$ 33 billion) to the Ministry of Road Transport and Highways. In FY24 (until July), cumulatively, 2,670 km of National Highways have been constructed and has been 1,125 km awarded. The Government of India has allocated Rs. 111 lakh crore (US$ 1.4 trillion) under the National Infrastructure Pipeline for FY25. The roads sector is likely to account for 18% capital expenditure over FY25. Government initiatives such as Atmanirbhar Bharat and Pradhan Mantri Gati Shakti National Master plan aims to boost the economy through infrastructure development. The focus of the government on infrastructure development is expected to translate into huge business potential for the construction industry in the long run

Liquidity: Stretched

Liquidity is stretched marked by a GCA of Rs.3.24 crores in FY24 as against repayments obligation of Rs. 1.80 crore in FY25. The average utilisation for its fund based and non-fund-based facilities remained at 91.69% and 92.04% respectively for past 12 months ending November 2024. The current ratio of the company has remained stable and stood at 1.30x in FY24. The operating cycle of the company elongated to 162 days in FY24 as compared to 137 days in FY23 on account of increase in collection period.

Assumptions/Covenants: Not Applicable

Environment, social, and governance (ESG) risks: Not Applicable

Applicable criteria

[Definition of Default]
[Liquidity Analysis of Non-financial sector entities]
[Rating Outlook and Rating Watch]
[Financial Ratios – Non financial Sector]
[Construction]

[Infrastructure Sector Ratings](#)
[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Construction	Construction	Civil Construction

KBC Infrastructures Private Limited (KBC) started as a partnership firm around 35 years back and was reconstituted into a private limited company on July 24, 2007. The company is designated as Class-1 Contractor under Government of Andhra Pradesh (AP) and participates in Government tenders and engaged in various civil construction works in and around Andhra Pradesh. The company is promoted by Mr. Butchaiah Kanneganti and Mr. K Pradeep and is engaged in construction of roads, bridges, levelling, maintenance, other road related works for Government organizations of Andhra Pradesh Roads & Buildings Department and Panchayat Raj Department and irrigation works, as well as offers metal and concrete products. The promoters of the company are engaged in diversified businesses. They have their own quarries, stone crushers, and concrete mixing plants. The vertical integration of the value chain has allowed them to have better margins.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	56.69	56.00	22.00
PBILDT	6.08	6.48	NA
PAT	0.93	0.70	NA
Overall gearing (times)	1.35	1.31	NA
Interest coverage (times)	2.45	2.27	NA

A: Audited UA: Unaudited; NA: Not available; Note: these are latest available financial results

Status of non-cooperation with previous CRA: The ratings of KBC Infrastructures Private Limited continues to be remain INC by Acuite (SMERA), Brickwork and Infomerics vide its PR dated May 30, 2024, May 22, 2024, and June 28, 2024, respectively due to absence of requisite information from the company.

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	16.00	CARE BB; Stable
Fund-based - LT-Term Loan	-	-	-	-	0.00	Withdrawn
Non-fund-based - LT/ ST-Bank Guarantee	-	-	-	-	10.00	CARE BB; Stable / CARE A4

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Term Loan	LT	-	-	1)CARE BB; Stable; ISSUER NOT COOPERATING* (10-Jan-25)	1)CARE BB; Stable (15-Dec-23)	-	-
2	Fund-based - LT-Cash Credit	LT	16.00	CARE BB; Stable	1)CARE BB; Stable; ISSUER NOT COOPERATING* (10-Jan-25)	1)CARE BB; Stable (15-Dec-23)	-	-
3	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	10.00	CARE BB; Stable / CARE A4	1)CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING* (10-Jan-25)	1)CARE BB; Stable / CARE A4 (15-Dec-23)	-	-

*Issuer did not cooperate; based on best available information.
LT: Long term; LT/ST: Long term/Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not applicable

Annexure-4: Complexity level of instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - LT/ ST-Bank Guarantee	Simple

Annexure-5: Lender details

To view the lender wise details of bank facilities please click here

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

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About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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