

Krishna Buildestates Private Limited

March 31, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term / Short-term bank facilities	275.10 (Enhanced from 133.00)	CARE BBB+; Stable / CARE A2	Upgraded from CARE BBB; Stable / CARE A3+

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The upgrade in ratings assigned to bank facilities of Krishna Buildestates Private Limited (KBEPL) reflects improvement in the company's operational performance in FY24 (refers to April 01 to March 31) and 9MFY25 (refers to April 01 to December 31) marked by growth in the scale of operations with better profitability margins, driven by better execution of ongoing projects. Ratings also factor in the comfortable financial risk profile of the company marked by comfortable capital structure and debt coverage indicators. Ratings continue to benefit from experienced promoters with a long track record in the construction industry and a constantly growing, healthy, though concentrated, order book position that provides satisfactory revenue visibility over the medium term. However, these strengths remain constrained by the fragmented and competitive nature of the construction industry, inherent counterparty risk, and the working capital intensive operations.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Growth in overall scale of operations above ₹900 crore and sustained improvement in profit before interest, lease rentals, depreciation and taxation (PBILDT) margin with improvement and diversification in order book position on a sustained basis.
- Improvement in gross current asset days to less than 150 days on a sustained basis.
- Improvement in capital structure with overall gearing below 0.40x on a sustained basis.
- Efficient working capital management, thereby improving the liquidity profile of the company.

Negative factors

- Decline in scale of operations by over 20% from existing level and moderation in PBILDT margins below 8%.
- Elongation in gross current asset days beyond 250 days on a sustained basis.
- Deterioration in the capital structure with overall gearing ratio beyond 1.00x on a sustained basis.
- Any delays in project execution impacting the financial performance and liquidity position of the company.

Analytical approach: Standalone

Outlook: Stable

The 'Stable' outlook indicates CARE Ratings Limited's (CARE Ratings') expectation of continued healthy operating performance and adequate liquidity, bolstered by the timely execution of the order book, which is expected to further enhance the financial risk profile over the medium term.

Detailed description of key rating drivers:

Key strengths

Improvement in operational performance in FY24 and 9MFY25:

The company has achieved total operating income (TOI) of ₹501.19 crore in FY24 (refers to April 01 to March 31), marking growth of ~16% compared to FY23. The growth in TOI was primarily driven by higher order book execution. The company's PBILDT and profit after tax (PAT) margins have also improved to 9.80% and 6.23%, respectively, in FY24 against margins of 8.02% and 5.72%, respectively, in FY23 majorly due to better absorption of fixed operational cost with increased scale of operations.

The company has achieved TOI of ~₹455 crore with PBILDT margin of ~11% in 9MFY25 (refers to April 01 to December 31). CARE Ratings anticipates that the company's scale of operations will continue to grow in the medium term, driven by an expanding order book and timely execution.

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

Healthy order book position; though remains concentrated:

The company has an unexecuted order book of ~₹3,345 crore as on January 31, 2025, providing medium-term revenue visibility equivalent to 6.67x of TOI reported in FY24 to be executed over next three years. The company has letter of intent (LOI) pending for execution of ₹650 crore and L1 bids of ₹2,050 crore. Residential work orders comprise ~49% of the order book and remaining ~51% pertains to commercial, institutional, and other work orders. However, the order book has remained concentrated with ~44% coming from top five projects in hand with no single customer constituting over 15%. However, the order book has partial geographical concentration in Haryana with ~33% share followed by Punjab with ~16% share, Delhi and Rajasthan having ~15% share each; thus, exposing the company to geographical concentration risk and adverse change in government policy and rules & regulations related to construction activities in these areas may impact company's performance.

While the company's order book position remains healthy and ensures strong revenue visibility in the medium term, the addition of new orders and the timely execution of the existing order book will be crucial factors to monitor for ratings.

Comfortable financial risk profile:

The company has comfortable financial risk profile characterised by overall gearing and debt coverage indicators. As on March 31, 2024, debt profile of the company consists of outstanding term loan (including vehicle loans) of ₹6.83 crore (Previous Year [PY]: ₹8.20 crore), unsecured loans & advances from related parties of ₹0.62 crore (PY: ₹1.14 crore), outstanding working capital borrowing of ₹2.27 crore (PY: ₹1.14 crore), mobilisation advances of ₹54.76 crore (PY: ₹32.59 crore). Overall gearing position of the company slightly moderated to 0.57x as on March 31, 2024 (PY: 0.53x), mainly due to increase in mobilisation advance with increased order book position. Interest coverage ratio and total debt to gross cash accruals (TD/GCA) stood comfortable at 21.24x and 1.62x as on March 31, 2024, compared to 17.93x and 1.40x as on March 31, 2023.

The company has executed share buyback of ~₹10 crore for ~10% equity in the current financial year. The interest coverage ratio of the company stands comfortable at 24.03x as on December 31, 2024.

CARE Ratings' expects the company to maintain its comfortable financial risk profile over medium term, supported by better order book execution, healthy profitability, and absence of major debt-funded capex.

Experienced promoters and established track record in construction industry:

KBEPL was incorporated in 2007 by Rakesh Bahl, who has experience of over three decades in executing diverse real estate projects in the residential and commercial segments. The company has a long track record of successfully completing several projects ranging from construction of institutional buildings, corporate office complexes, industrial buildings, multi-storied housing complexes, and township development projects, among others.

Key weaknesses**Working capital intensive nature of operations though efficiently managed:**

The company's operations are working capital intensive due to an elongated collection period owing to inclusion of unbilled revenue and retention money in projects. The company's average collection period stood at 104 days in FY24 increased from 80 days in FY23 and creditor's period is ~59 days in FY24 (PY: 47 days). Operating cycle stood at 84 days in FY24 increased from 59 days in FY23. The company meets its working capital requirements largely through interest free mobilisation advances in projects and stretching of creditors payment.

Going forward, company's ability to effectively manage its operating cycle and working capital requirements with execution of orders in hand, will remain a key monitorable.

Inherent execution risks related to projects

The construction projects in residential and commercial segments have an inherent risk of delay in execution due to site hand over, weather conditions, and issues related to availability of labour among others, which may result in time and cost overrun in the projects. However, the long industry experience of KBEPL's promoters of over three decades and the company's long track record mitigates these risks to some extent.

Presence in a highly fragmented and competitive construction industry

KBEPL is a mid-sized player operating in the intensely competitive construction industry where contracts are awarded on the basis of relevant experience of the bidder, financial capability, and most attractive bid price. The highly competitive intensity is considering the presence of a large number of contractors resulting in aggressive bidding, which exerts pressure on the margins. Aggressive bidding, interest rate risk, and delays in projects due to environmental clearance are other external factors, which may affect the credit profile of industry players.

Liquidity: Adequate

Adequate liquidity is marked by sufficient buffer available between expected accruals of ~₹61 crore against minimal repayment obligations of ~₹4 crore in FY25. The liquidity is further aided by free cash, bank, and FDR balances of ₹22.06 crore as on December 31, 2024. Unutilised bank limits of the company is adequate to meet its incremental working capital needs over the next one year with average utilisation remained at ~20-30% in past 12 months ended February 2025.

The company would be incurring capex regarding to procurement and replacement of machineries relating to construction, which is common, inherent and necessary in construction industry that would be majorly funded through internal accruals and partly out of term loan.

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](#)

[Short Term Instruments](#)

About the company and industry**Industry classification**

Macroeconomic indicator	Sector	Industry	Basic industry
Consumer discretionary	Realty	Realty	Residential, commercial projects

Incorporated in December 2007, KBEPL is engaged into civil construction and turnkey projects of institutional buildings, corporate office complexes, industrial buildings, multi-storied housing complexes, educational & technical institutes, and schools & auditoriums among others.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	9MFY25 (UA)
Total operating income	432.87	501.19	455.00
PBILDT	34.73	49.14	50.95
PAT	24.75	31.24	33.10
Overall gearing (times)	0.53	0.57	NA
Interest coverage (times)	17.93	21.24	24.03

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

Status of non-cooperation with previous CRA: Not applicable

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	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT/ ST-Working Capital Limits	-	-	-	-	28.50	CARE BBB+; Stable / CARE A2
Non-fund-based - LT/ ST-Bank Guarantee	-	-	-	-	246.60	CARE BBB+; Stable / CARE A2

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/ Bank Facilities	Current Ratings		Rating History				
		T Y P E	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	Non-fund-based - LT/ ST-Bank Guarantee	LT / ST	246.60	CARE BBB+; Stable / CARE A2	1)CARE BBB; Stable / CARE A3+ (18-Apr-24) 2)CARE BBB; Stable / CARE A3+ (03-Apr-24)	-	1)CARE BBB; Stable / CARE A3+ (24-Mar-23)	1)CARE BBB-; Stable / CARE A3 (03-Feb-22)
2	Fund-based - LT/ ST-Working Capital Limits	LT / ST	28.50	CARE BBB+; Stable / CARE A2	1)CARE BBB; Stable / CARE A3+ (18-Apr-24) 2)CARE BBB; Stable / CARE A3+ (03-Apr-24)	-	1)CARE BBB; Stable (24-Mar-23)	1)CARE BBB-; Stable (03-Feb-22)

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/ ST-Working Capital Limits	Simple
2	Non-fund-based - LT/ ST-Bank Guarantee	Simple

Annexure-5: Lender details

To view 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.

Contact us

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About us:

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