

## Kakum Enterprise

December 11, 2025

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	15.00	CARE BB; Stable; ISSUER NOT COOPERATING*	Downgraded from CARE BB+; Negative and moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

\*Issuer did not cooperate; based on best available information.

### Rationale and key rating drivers

CARE Ratings Ltd. has been seeking information from Kakum Enterprise (KE) to monitor the rating vide email communications dated October 10, 2025, December 01, 2025, 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 rating 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. Further, KE has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The rating on KE's bank facilities will now be denoted as CARE BB; Stable; 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.**

The rating has been revised on account of non-availability of adequate information thereby leading to uncertainty around credit risk of the company.

The ratings continue to be constrained by its constitution as a proprietorship firm, small scale of operations, geographical concentration risk, exposure to intense competition and tender driven process risk, moderate order book position, susceptibility of operating margin to volatility in input material prices and labour charges and working capital intensive nature of operation. The rating, however, continues to derive strength from experienced proprietor, satisfactory profitability margin, satisfactory capital structure and low counterparty risk.

**Analytical approach:** Standalone

**Outlook:** Stable

### Detailed description of key rating drivers:

At the time of last rating on December 04, 2024, the following were the rating strengths and weaknesses:

#### Key weaknesses

##### Constitution as proprietorship firm

KE, being a proprietorship firm, is exposed to inherent risk of proprietor's capital being withdrawn at time of personal contingency and firm being dissolved upon the death/retirement/insolvency of the proprietor. Moreover, proprietorship firms have restricted access to external borrowing as credit worthiness of proprietor would be the key factors affecting credit decision for the lenders.

##### Small scale of operations

KE is a relatively small player and its scale of operations have moderated from Rs. 61.78 crore in FY23 to Rs. 57.38 crore in FY24. As per management, the moderation has been majorly owing to site clearance issues in the ongoing work. The small size deprives it the benefits of economies of scale and restricts the financial flexibility of the company in times of stress. Going forward, the scale of operations is expected to remain stable provided the firm is able to garner ample orders to execute.

##### Moderate order book position

The firm currently has order book position of around Rs.40 crore as on October 31,2024 which is 0.70x of the TOI in FY24. The moderate order book position raises concern about the maintenance of operations and revenues in the near future. However, the firm is under discussion for a new order of around Rs 50 crore which is expected to get finalised by Dec'24. Achieving sufficient orders in hand will remain a key rating monitorable.

<sup>1</sup>Complete definition of ratings assigned are available at [www.careratings.com](http://www.careratings.com) and other CARE Ratings Limited's publications.

**Geographical concentration risk**

KE has major presence in the state of Arunachal Pradesh as the firm earns majority of revenue from this state only. In view of its presence in a single state, the firm is exposed to geographical concentration risk to a large extent. Accordingly, any geo-political turmoil in the state or other macro- economic issues can restrict the growth of the firm in future.

**Working capital intensive nature of business**

The operations of firm are working capital intensive due to tender based and long-term nature of contracts. The firm has a high gross current asset (days) of 383 days in FY24. It also has a high collection period of 279 days in FY24 (FY23:285 days). The collection period is high since it majorly executes contracts for PSU's and state governments and have to maintain retention money with the departments. The firm also has high operating cycle of 230 days in FY24 (FY23:201 days) due to nature of operations.

**Intense competition and tender driven process risk**

The firm has to bid for the contracts based on tenders opened by the various public sector units/governments. Upon successful technical evaluation of various bidders, the lowest bid is awarded the contract. The firm receives projects which majorly are of a short to medium tenure (i.e. to be completed within maximum period of one to two years). Furthermore, orders are generally tender driven floated by government units indicating a risk of non-receipt of contract in a competitive industry.

**Susceptibility of operating margin due to volatility in input prices**

The basic input materials for execution of construction projects and works contracts are steel, stone chips, bitumen, cement etc. The prices of which are highly volatile. However, current government agencies' works contract has a price escalation clause which mitigates price volatility risk to some extent. Furthermore, the operating margin of the firm is exposed to any sudden spurt in the input material prices along with an increase in labour prices being in labour intensive industries.

**Key strengths****Experienced proprietor**

The proprietor, Ms. Bengia Yanang (aged about 40 years) has experience of more than a decade in the civil construction industry. She looks after the overall management of the firm, with adequate support from a team of experienced personnel. Apart from this, KE is 'Class 1' certified civil constructor with the State government and accordingly has good relationships with government entities in the state of Arunachal Pradesh.

**Satisfactory profitability margins**

The profitability margins have remained stable in FY24 with PBILDT margin of 10% in FY24 (10.51% in FY23) and PAT margin of 6.84% in FY24 (7.53% in FY23). The PBILDT margins have remained stable even though there is slight decline in scale of operations. The firm is eligible for income tax exemptions under section 10 (26) of the Income Tax Act 1961.

**Satisfactory capital structure**

The capital structure of the firm continued to remain satisfactory on the back of largely stable total debt levels and gradual increase in networth of the firm due to accretion of profits. Accordingly, the overall gearing and total debt to GCA stood at 0.26x (P.Y.: 0.24x) and 2.68x (P.Y.: 2.09x) as on March 31, 2024, respectively.

**Low counterparty risk**

The firm, being Government registered Class A contractor, receives order from PSUs and government departments and thereby reduces counterparty risk to a large extent.

**Applicable criteria**

[Definition of Default](#)

[Information Adequacy Risk and Issuer Non-Cooperation](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Construction Sector](#)

## About the firm and industry

### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Construction	Construction	Civil Construction

Kakum Enterprise, a proprietorship firm, is an Arunachal Pradesh based class 1 certified civil contractor which is engaged in civil construction services since 2009. Kakum Enterprise participates in tender driven bidding process, and on award of contracts, the entity has to deposit Earnest Money Deposit (EMD), which is being refunded after successful completion of the project. The tenure of the contracts ranges from 6 to 24 months. KE has its controlling office located in Papumpare, Arunachal Pradesh. Smt Bengia Yanang (Proprietor) has around a decade long experience in the construction industry, looks after the day-to-day operations of the firm. She is supported by a team of professionals.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	61.78	57.38
PBILDT	6.50	5.74
PAT	4.65	3.93
Overall gearing (times)	0.24	0.26
Interest coverage (times)	5.06	4.51

A: Audited 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 (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		-	-	-	10.00	CARE BB; Stable; ISSUER NOT COOPERATING*
Non-fund-based - LT-Bank Guarantee		-	-	-	5.00	CARE BB; Stable; ISSUER NOT COOPERATING*

\*Issuer did not cooperate; based on best available information.

**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 2025-2026	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
1	Fund-based - LT-Cash Credit	LT	10.00	CARE BB; Stable; ISSUER NOT COOPERATING *	-	1)CARE BB+; Negative (04-Dec-24)	1)CARE BB+; Stable (07-Nov-23)	1)CARE B+; Stable; ISSUER NOT COOPERATING * (17-Feb-23)
2	Non-fund-based - LT-Bank Guarantee	LT	5.00	CARE BB; Stable; ISSUER NOT COOPERATING *	-	1)CARE BB+; Negative (04-Dec-24)	1)CARE BB+; Stable (07-Nov-23)	1)CARE B+; Stable; ISSUER NOT COOPERATING * (17-Feb-23)

\*Issuer did not cooperate; based on best available information.

LT: Long 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	Non-fund-based - LT-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:** CareEdge 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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