February 10, 2014

CARE REAFFIRMS THE RATINGS ASSIGNED TO THE BANK FACILITIES OF KATIRA CONSTRUCTION LTD.

RATINGS

Facilities	Amount (Rs. crore)	Ratings[1]	Remarks
Long-term Bank Facilities	8.99 (reduced from13.03 crore)	CARE BBB- (Triple B Minus)	Reaffirmed
Long-term/Short-term Bank Facilities	28.00	CARE BBB- / CARE A3 (Triple B Minus) / (A Three)	Reaffirmed
Total Bank Facilities	**36.99**		

Rationale

The ratings continues to take into account the rich experience of the promoters of Katira Construction Ltd. (KCL) in construction industry, its long and established track record of operation, relatively lower counter party risk and its comfortable financial risk profile marked by improvement in its scale of operation, capital structure and comfortable debt coverage indicators. The ratings, however, continues to be constrained on account KCL's modest scale of operations in an intensely competitive construction industry, its low capitalization, moderate profitability and low geographic diversification of its clientele.

The ability of KCL to further increase its scale of operations along-with improvement in profitability while maintaining its leverage and reduce its geographic concentration along with efficient working capital management would be the key rating sensitivities.

Background

Started in 1981 as Katira Construction Company, a proprietorship concern, the entity was converted to a closely held public limited company viz. Katira Construction Ltd. (KCL) in 2003. It is promoted by Mr. Rasik Katira, Chairman, having three decades of experience in the construction industry. KCL is 'AA' class government contractor (highest in the scale of AA to E) and is engaged in civil and road construction work contracts mainly with government departments and non-government organizations (NGO). KCL's operations have remained concentrated to Kutch and Gandhinagar, Gujarat, from where it derives almost entire revenues. The company has experience in executing road construction contracts, school building construction contracts and government buildings contracts.

During FY13 (refers to the period from April 1 to March 31), KCL reported a total operating income of Rs.183.22 crore (FY12: Rs.131.66 crore) with a PAT of Rs.9.56 crore (FY12: Rs.3.95 crore). As per the provisional results for H1FY14, KCL reported a total operating income of Rs.72.55 crore with a PBT of Rs.4.00 crore.

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[1] *Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications*

CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Disclaimer

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