

Kridhan Infra Ltd

October 13, 2017

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	18.00	CARE BB+; Stable [Double B Plus; Outlook: Stable]	Assigned
Short-term Bank Facilities	6.00	CARE A4+ [A Four Plus]	Assigned
Total Facilities	24.00 (Rs. Twenty four crore only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating assigned to the bank facilities of Kridhan Infra Ltd (KIL) is constrained by the competitive nature of the industry, risks pertaining to changes in government regulations & tender based nature of business and moderate financial risk profile of the group characterized by moderate profitability and liquidity position.

The rating considers the experience of the promoters & management team, strong execution capability with successful past track record of the group and moderate order-book position indicating short term revenue visibility.

Ability of the group to continue bagging contracts on a continuous basis and execute the same in a timely manner is the key rating sensitivity. Any major debt funded acquisition affecting the capital structure of the group is the key rating monitorable.

Detailed description of the key rating drivers

Key Rating Strengths

Experienced management team: Kridhan group was founded by Mr. Anil Dhanpatlal Agrawal back in 2006. He holds a master's degree and has over 15 years of experience in steel & infrastructure industry. Under his leadership the group has grown substantially with its strong presence in India and South East Asia (Singapore, Malaysia and Myanmar) through acquisitions of companies. He is well supported by a strong management team.

Strong execution capability of Kridhan group: Kridhan has executed various projects since existence for a tenure ranging from less than a month to two years; depending on the nature of work undertaken. The scope of work executed by Kridhan mainly involves bored pile, contiguous bored pile, RC driven pile and micro bored pile.

Moreover, with acquisition of Swee Hong Ltd. (SHL) in 2016; through its Singapore subsidiary KH Foges Pte; the group would leverage the expertise of SHL in tunnelling, sewer works, bridge works, roads works, and flyovers, among others.

Moderate order book position of the group: Kridhan has successfully bagged orders with outstanding order book position of Rs. 650-700 crore as on June 30, 2017 to be executed in next one year; thereby indicating short term revenue visibility.

Key Rating Weaknesses

Moderate financial risk profile: On account of subsequent acquisitions and increased execution of work orders; the group has posted 44% growth in FY16 and 30% growth from Q1FY17. The margins have been consistent at around 10.50-13%. Further the liquidity position of the group stands moderate with working capital intensive nature of operations and high average utilization of fund based limits at 85% for KIL for the past 12 months ending July 2017. .

Operating in highly competitive industry: Kridhan is operating in a highly fragmented and competitive construction industry and thus faces stiff competition from other players in the respective country. Further continuous bidding for

¹Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications

contracts and being awarded the contracts would continue to play a major role for the sustainability and growth of operations.

Industry risk related to government regulations: The business is largely dependent on growth of infrastructure industry and the economic cycle. Government policies also affect the business as evident in the past. Thus any adverse changes in economy or policies could affect the revenues of the company

Analytical approach:

CARE has considered consolidated approach while arriving at the rating of KIL. The business and financial risk profiles of the group have been combined.

The group is an EPC player in the Singapore market and the management is looking forward entering the EPC space in the Indian market is a significant way by deriving technical and operational synergy from the group.

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)
[Rating Methodology: Factoring Linkages in Ratings](#)
[CARE's Policy on Default Recognition](#)
[Rating Methodology-Manufacturing Companies](#)
[Financial ratios – Non-Financial Sector](#)

About the Company

In 2006, Kridhan Infra Ltd. [KIL (formerly known as ReadyMade Steel India Ltd.)] was incorporated. KIL was incorporated in India as a joint venture between CSC Holdings Ltd., Singapore (South East Asia's largest piling company) and Anil Agrawal group. Later in 2007, Mr. Anil Agrawal took 100% shareholding in KIL (currently promoters holding 64.46% held as on June 30, 2017). KIL is engaged in the manufacturing of concrete piles & cast-in place, couplers and readymade steel bars (around 6mm to 40mm diameter) which contributed around 85%, 4% and 12% respectively towards FY16 revenue. The company's manufacturing facility is located at Khopoli, Maharashtra with an installed capacity of 27,000 metric tons per annum (MTPA).

In 2011, 90% stake was acquired in KH Foges Pte Ltd. (KHF) through ReadyMade Steel Singapore Pte Ltd. (100% subsidiary of KIL). During 2014, KHF acquired 100% of PSL Engineering Pte Ltd. (Singapore's leading micro piling company) and Rotary Piling Pte Ltd. (specialized ground engineering equipment rental company) in Singapore. Further KHF spreads its footprint to Myanmar through execution of piling project and then 35% stake acquisition in Econ Geotech Pte Ltd. (soil investigation, geotechnical engineering and consultancy firm). Later in 2016; the company through its Singapore subsidiary KH Foges Pte has acquired a majority stake of 56% in Swee Hong Ltd.

Thus over the series of acquisitions, Kridhan has evolved and is present across the value chain of foundation engineering; from soil investigation to piling and larger EPC projects. It has L6 certification with the Building & construction authority (BCA) of Singapore, enabling it to tender for unlimited projects in foundation engineering.

Status of non-cooperation with previous CRA:

NA

Any other information:

NA

Rating History for last three years: Please refer Annexure-2

Note on complexity levels of the rated instrument: 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.

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About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	18.00	CARE BB+; Stable
Non-fund-based - ST-Letter of credit	-	-	-	6.00	CARE A4+

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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Fund-based - LT-Cash Credit	LT	18.00	CARE BB+; Stable	-	-	-	-
2.	Non-fund-based - ST-Letter of credit	ST	6.00	CARE A4+	-	-	-	-

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