



## Press Release

### K.C.V.R INFRA PROJECTS PRIVATE LIMITED (KCVR)

October 03, 2024

#### Ratings

Instrument / Facility	Amount (Rs. Crore)	Current Ratings	Previous Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term facilities	17.00 (Enhanced from Rs.15.00 crore)	IVR BBB/Stable (IVR Triple BBB with Stable Outlook)	IVR BB+/Negative; ISSUER NOT COOPERATING (IVR Double B Plus with Negative Outlook; ISSUER NOT COOPERATING)	Upgraded, Outlook revised, and removed from ISSUER NOT COOPERATING Category	Simple
Short Term facilities	123.00 (Enhanced from Rs.115.00 crore)	IVR A3+ (IVR A Three Plus)	IVR A4+; ISSUER NOT COOPERATING (IVR A Four Plus; ISSUER NOT COOPERATING)	Upgraded and removed from ISSUER NOT COOPERATING Category	Simple
<b>Total</b>	<b>140.00</b> <b>(One Hundred and Forty Crore)</b>				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

#### Detailed Rationale

The rating was migrated to ISSUER NOT COOPERATING category as K.C.V.R Infra Projects Private Limited (KCVR) had not submitted all the required information for surveillance under the stipulated timelines. Subsequently, KCVR has cooperated and provided the information leading to removal of the rating from ISSUER NOT COOPERATING category.

The upgrade of the ratings to the bank facilities K.C.V.R Infra Projects Private Limited (KCVR) factors the long track record of operation and experienced promoters, reputed clientele, healthy order book, satisfactory operational performance, and healthy financial risk profile.



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The ratings, however, are constrained by geographical concentration risk, susceptibility to risks inherent in tender-based business, and Industry specific risks.

The 'Stable' outlook reflects the extensive experience of the promoters and relationship with reputed clientele.

### **Key Rating Sensitivities:**

- **Upward Factors**
  - Growth in scale of operations with improvement in profitability on a sustained basis and consequent improvement in liquidity.
  - Sustenance of the capital structure with improvement in debt protection metrics.
  
- **Downward Factors**
  - Dip in the revenue and/or profitability and/or an increase in the gross working capital cycle or concentration risk.
  - Moderation in the capital structure with moderation in the overall gearing along with significant or sustained deterioration in debt protection parameters and /or liquidity.

### **List of Key Rating Drivers with Detailed Description**

#### **Key Rating Strengths**

##### **Long track record of operation and experienced promoters**

The company's promoter has an experience of around three decades in the engineering, procurement, and construction segment. KCVR, promoted by Mr. K.V. Jagan Mohan Reddy and his family members, have an extensive experience in executing road construction and related works. KCVR has executed various road work projects in Andhra Pradesh, Telangana, and Karnataka.

##### **Reputed clientele**

The company has a strong customer profile, mainly including government entities, such as National Highway Authority of India, the Roads & Buildings departments of Andhra Pradesh and Telangana etc., which reduces its counterparty credit risk.



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### **Satisfactory operational performance**

The company registered a CAGR growth of ~38% during FY21-24. Revenue grew to Rs.447.87 crore in FY24[(P) refers to period April 1st, 2023, to Mar 31, 2024] from Rs.230.60 crore in FY23. The company registered a growth of 94.22% in FY(P). The growth in the revenue in FY24(P) was in account of acquisition of new tenders and its timely execution. The EBITDA margin remained satisfactory at 8.06% in FY24 (P), and PAT stood at 4.46% during the same period. Infomerics expecting a decline in company's revenue in FY25 due to the moderation in the order book.

### **Healthy financial risk profile**

The return on capital employed was 25.86% in FY24 (P) (FY23: 18.59%). The Company recorded overall gearing of 0.40x in FY24 (P) as compared to 0.75x in FY23, interest coverage ratio of 6.16x in FY24(P) as against 3.39x in FY23 and DSCR of 1.70x in FY24(P)(FY23:1.86x). TOL/TNW was reported at 1.12x in FY24(P) (FY23: 1.44%).

### **Moderate order book**

As on August 12, 2024, the company has unexecuted order book of RS 552.86 Crore; (order book to FY24(P) operating income ratio of 1.23 times) providing medium-term revenue visibility as the projects have to be completed within 12-36 months.

## **B. Key Rating Weaknesses**

### **Geographical concentration risk**

The company facing geographical concentration risk. Majority of the company's projects concentrated are in Telangana and Andhra Pradesh (70%-95%) for the last two years.

### **Susceptibility to risks inherent in tender-based business**

The company acquires the contract through tenders. The company's business growth depends on its ability to acquire tenders successfully. Revenue and profitability are expected to remain susceptible to risks inherent in tender-based operations.

### **Industry specific risks**

The company, like any other infrastructure entity, is exposed to the risks inherent in the construction sector including a slowdown in new order inflows, risks of delays in execution, and vulnerability of margins to adverse variation in the raw material, labor, and other input costs. The profitability is exposed to volatility in raw material prices. However, the presence of price escalation clauses in majority contracts mitigate the risk to some extent.



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**Analytical Approach:** Standalone

**Applicable Criteria:**

[Rating Methodology for Infrastructure Companies.](#)

[Financial Ratios & Interpretation \(Non-Financial Sector\).](#)

[Criteria for assigning Rating outlook.](#)

[Policy on Default Recognition and Post-Default Curing Period](#)

[Complexity Level of Rated Instruments/Facilities](#)

[Guidelines on what constitutes Non-Cooperation by clients](#)

**Liquidity: Adequate**

The company is earning adequate levels of GCA, and the liquidity position of the company was adequate with GCA of Rs. 25.34 crore in FY24(P). The expected GCA in the range of Rs.24.00-27.00 crore in FY25 and FY26 are adequate to cover the debt obligation in the range of Rs.5.00-10.00 crore in FY25 and FY26. This indicates adequate degree of liquidity of the company in meeting its obligations. The company has current ratio of 1.43x as on 31 March 2024(P). Additionally, the company has cash and cash equivalents of Rs 20.04 Crore as on 31 March 2024(P).

**About the company**

K.C.V.R Infra Projects Private Limited (KCVR), established in 1994, is located in Hyderabad, Telangana. KCVR is involved in civil construction and related work (mainly roads). In 1965, the partnership firm, K.C. Venkat Reddy & Co, was formed, which was converted into a private limited company in 2011 by the name KCVR Infra Projects Private Limited. KCVR is promoted by Mr. K.V. Jagan Mohan Reddy and his family members. KCVR is awarded special class status by Government of Andhra Pradesh.

**Financials (Standalone):**

	Rs. Crore	
For the year ended* / As on	31-03-2023	31-03-2024
	Audited	Provisional
Total Operating Income	230.60	447.87
EBITDA	25.68	36.09



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PAT	10.74	20.06
Total Debt	49.94	34.67
Tangible Net worth	66.89	86.95
EBIDTA Margin (%)	11.14	8.06
PAT Margin (%)	4.63	4.46
Overall Gearing ratio (X)	0.75	0.40
Interest coverage (x)	3.39	6.16

\*Classification as per Infomerics' standards

### Status of non-cooperation with previous CRA:

India Ratings has continued the rating of bank facilities of K.C.V.R Infra Projects Private Limited in Issuer not cooperating' category vide press release dated July 14, 2024, due to inadequate information.

ACUTE Ratings has continued the rating of bank facilities of K.C.V.R Infra Projects Private Limited in Issuer not cooperating' category vide press release dated August 09, 2023, due to inadequate information.

**Any other information: None**

### Rating History for last 3 years:

Sr. No.	Name of Facilities	Current Ratings (Year 2024-25)				Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)		Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					April 02, 2024	15 Feb 2023	17 Nov 2022	Oct 14, 2021
1.	Cash Credit/ Overdraft	Long Term	17.00	IVR BBB/Stable	IVR BB+/ Negative, ISSUER NOT COOPERATING *	IVR BBB /Stable	IVR BB+ (INC)	IVR BBB- / Stable Outlook
2.	Term Loan	Long Term	0.00	-	-	Withdrawn	IVR BB+ (INC)	IVR BBB- / Stable Outlook
3.	Bank Guarantee	Short Term	123.00	IVR A3+	IVR A4+, ISSUER NOT	IVR A3	IVR A4+ (INC)	IVR A3



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					April 02, 2024	15 Feb 2023	17 Nov 2022	Oct 14, 2021
					COOPERATING *			
4.	Letter of Credit	Short Term	0.00	-	-	Withdrawn	IVR A4+ (INC)	IVR A3

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

### Analytical Contacts:

<p>Name: Amit Bhuwania  Tel: (022) 62396023  Email: abhuwania@infomerics.com</p>
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### About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.



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Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations.

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit [www.infomerics.com](http://www.infomerics.com)

**Disclaimer:** Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

### Annexure 1: Facility details:

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit/Overdraft	-	-	-	Revolving	17.00	IVR BBB/Stable
Bank Guarantee	-	-	-	-	123.00	IVR A3+

### Annexure 2: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/Len-KCVR-INFRA-03oct24.pdf>

**Annexure 3: Detailed explanation of covenants of the rated security/facilities: Not Applicable**

**Annexure 4: List of companies considered for consolidated analysis: Not Applicable**



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**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).

