

May 27, 2022

## Kirby Building Systems & Structures India (Gujarat) Private Limited: Ratings assigned

### Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Proposed Fund-Based – Term Loans	40.00	[ICRA]A+(Stable); assigned
Proposed Fund-Based Limits-CC	8.00	[ICRA]A+(Stable); assigned
Proposed Non-Fund Based Limits	235.00	[ICRA]A+(Stable)/[ICRA]A1; assigned
<b>Total</b>	<b>283.00</b>	

\*Instrument details are provided in Annexure-1

### Rationale

The ratings assigned to the bank facilities of Kirby Building Systems & Structures India Gujarat Private Limited's (Kirby Gujarat) take into account the strength of the holding company, Kirby Building Systems & Structures India Private Limited (KBSSIPL, rated at [ICRA]AA-(Stable)/[ICRA]A1+) and its strategic importance for the overall operations of the holding company. Once operational, Kirby Gujarat would cater to the orders from the western region for the group. The Gujarat plant would help the company to execute higher orders at competitive prices with the benefit of logistic costs. Kirby Gujarat will have strong operational and financial linkages with all the order procurement, design, raw material sourcing and administrative functions being centralised with KBSSIPL. Additionally, of the total project cost of Rs. 150.0 crore, Rs.110.0 crore is being funded through equity investment from KBSSIPL.

The ratings are, however, constrained by the inherent project implementation risk and the risk related to the ramp-up and stabilisation of the plant post implementation. Moreover, the revenues are exposed to the cyclicity in capital investments by the private sector and the operating margins are vulnerable to the fluctuation in raw material prices.

### Key rating drivers and their description

#### Credit strengths

**Strength derived from holding company (KBSSIPL), strategically important to holding company with the same line of business and strong financial linkages** – Kirby Gujarat is in the same line of business as the parent and is strategically important to KBSSIPL as it has been set up to cater to the orders from the western region. This plant would help KBSSIPL to cater to higher orders at competitive prices along with logistic benefits. The order procurement, design, raw material sourcing and administrative functions will entirely be centralised at KBSSIPL. Further, KBSSIPL is infusing around Rs. 110 crore of equity from its internal accruals to meet the total cost of Rs. 150 crore; the remaining will be raised by Kirby Gujarat as debt.

#### Credit challenges

**Exposed to inherent project implementation risks** – Kirby Gujarat is setting a PEB manufacturing plant at an estimated cost of Rs. 150.0 crore. While parent KBSSIPL is infusing Rs. 110.0 crore, the balance Rs. 40.0 crore will be raised as bank debt and is yet to be tied up. Kirby Gujarat is thus exposed to the inherent risk of project implementation and the risk related to the ramp-up and stabilisation of the plant post implementation. The plant is expected to commence operations from January 2023.

**Margins vulnerable to fluctuations in raw material prices:** The company's operating margins are exposed to the fluctuation in raw material prices. Steel is the key raw material and any adverse fluctuation in the input price will impact the company's profitability.

**Revenues exposed to variability in capital investments by private sector** – Kirby Gujarat’s revenues are dependent on the capital investments across key-user industries, hence any slowdown in the end-user segment can impact the company’s revenue.

## Liquidity position: Adequate

The liquidity position of Kirby Gujarat is likely to be adequate, supported by a strong parent. Of the total project cost of Rs. 150 crore, Rs. 110 crore is being funded by KBSSIPL as equity investment and the balance will be funded through a term loan of Rs. 40 crore; the company is in the process of achieving financial closure for the same. As of March 2022, the company has incurred around Rs. 41 crore of capital expenditure, met entirely through promoter infusion. The remaining equity commitment of around Rs. 69 crore would be met from the internal accruals of KBSSIPL.

## Rating sensitivities

**Positive factors** – ICRA could upgrade Kirby Gujarat’s ratings if there is an improvement in the credit profile of the parent entity, KBSSIPL.

**Negative factors** – The ratings may witness pressure if there is a significant delay in implementing the project, resulting in cost overruns. Any delay in the plant’s ramp-up post commercialisation of the proposed capex or any weakening in the credit profile of the parent entity, KBSSIPL, will also affect the ratings.

## Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Implicit Parent or Group Support</a>
Parent/Group Support	Parent Company: Kirby Building systems & Structures India Private Limited. ICRA expects Kirby Gujarat’s parent to be willing to extend financial and operational support to it, if required, given the strategic importance and close business linkages of Kirby Gujarat to the parent’s operations
Consolidation/Standalone	Standalone

## About the company

The company is setting up a plant with an installed capacity of 40,000 MT at Halol, Gujarat under Kirby Building Systems & Structures (Gujarat) India Private Limited (100% subsidiary of KBSSIPL) at an estimated cost of Rs 150 crore and the same will be funded by equity infusion of Rs. 110 crore by KBSSIPL (through its internal accruals) and the balance through bank debt of Rs. 40.00 crore.

**Key financial indicators: NA, Project stage.**

**Status of non-cooperation with previous CRA: Not applicable**

**Any other information: None**

## Rating history for past three years

	Instrument	Current Rating (FY2023)				Chronology of Rating History for the past 3 years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating on May 27, 2022	Date & Rating in FY2022	Date & Rating in FY2021	Date & Rating in FY2010
1	Proposed Fund based – Term loans	Long-term	40.00	-	[ICRA]A+(Stable)			
2	Proposed Fund based – CC	Long-term	8.00	-	[ICRA]A+(Stable)			
3	Proposed Non-Fund based – LC/BG	Long-term/Short term	235.00	-	[ICRA]A+(Stable)/[ICRA] A1			

Amount in Rs. Crore

## Complexity level of the rated instrument

Instrument	Complexity Indicator
Long-term Fund-based– Term loans	Simple
Long-term Fund-based – Cash Credit	Simple
Long-term/ Short -term – Non-Fund Based Limits	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional, or legal aspects. Details on the complexity levels of the instruments, is available on ICRA's website: [www.icra.in](http://www.icra.in)

## Annexure-1: Instrument details

ISIN No/Banker Name	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
Proposed	Term Loan	-	NA		40.00	[ICRA]A+(Stable)
Proposed	CC	-	NA		8.00	[ICRA]A+(Stable)
Proposed	Non-Fund Based Limits	-	NA	-	235.00	[ICRA]A+(Stable)/[ICRA] A1

Source: Company

[Please click here to view details of lender-wise facilities rated by ICRA](#)

## Annexure-2: List of entities considered for consolidated analysis

Not applicable

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