



KGS Constructions Limited

Instrument	Amount	Rating Action
	In Rs Crore	March 2013
Long Term Fund Based Facilities	45.0	[ICRA]BB+ (Stable)
Short Term Proposed Facilities	5.0	[ICRA]A4+

ICRA has reaffirmed the long term rating of [ICRA]BB+ (pronounced as ICRA double B plus) to the 45.0 crore* fund based bank limits of KGS Constructions Limited (KGSCL / 'the company')†. ICRA has also reaffirmed the short term rating of [ICRA]A4+ (pronounced as ICRA A four plus) to the Rs. 5.0 crore proposed facilities of KGSCL. The outlook on the long term rating is Stable.

The ratings reaffirmation factors in KGSCL's presence in the highly competitive buildings segment which involves low complexity of work; and the low asset base of the company which will require to be ramped up in line with the planned increase in project execution. The ratings also consider the high working capital intensity as on end-FY2013, which has resulted in higher working capital borrowings and increased gearing levels. The ratings draw comfort from the modest scale of operations of the company in the construction industry; benefits expected to accrue from the ownership stakes of the KGS group and Reliance Capital, with assured construction orders from the various projects which are to be undertaken by the KGS group companies; and the continuing growth in revenues, with moderate operating profitability. The current order book position of KGSCL is strong with moderate diversification among residential, commercial and infrastructure projects; however some of the projects are still in initial / planning stages and are susceptible to delays.

Company Profile

KGS Constructions Limited (KGSCL; erstwhile KGS Milestone Constructions Limited), part of the Chennai based KGS group, is a civil construction company. The company was promoted in November 2006 by Mr Rakesh P Sheth as Milestone Shelters (P) Limited; prior to the formation of this company, Mr Sheth had been operating as a construction contractor through his proprietorship concern. In March 2010, the promoters of KGS Developers Limited purchased a 42.6% stake in Milestone Shelters (P) Ltd and the company's name was changed to KGS Milestone Construction Limited. During the same time, Reliance Capital Limited, part of the Anil Dhirubhai Ambani Group, also obtained 14.90% share in this company (Reliance Capital was already an investor in other KGS group companies like KGS Developers Limited and KGS Infrastructure Limited). In 2012, the promoters of KGS Developers Limited purchased the entire stake of Mr. Rakesh Seth and family and renamed the company to KGS Constructions Limited. The company undertakes residential and infrastructure projects for the KGS group.

The company had reported a provisional turnover of Rs. 72.2 crore and provisional PAT of Rs. 3.2 crore in FY 2013.

March 2013

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* 100 lakh = 1 crore = 10 million

† For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications



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