



## KVR Projects Private Limited

| Instrument       | Amount in Rs crore | Rating Action                         |
|------------------|--------------------|---------------------------------------|
| Cash credit      | 5.00               | [ICRA] BB(stable) assigned            |
| Letter of credit | 32.00              | [ICRA] A4 assigned                    |
| Unallocated      | 4.00               | [ICRA] BB(stable)/ [ICRA] A4 assigned |
| Total            | 41.00              |                                       |

ICRA has assigned a long-term rating of [ICRA]BB (pronounced ICRA double B) to Rs 5.00 crore fund based limits of KVR Projects Private Limited (KVR)<sup>†</sup>. ICRA has also assigned a short-term rating of [ICRA]A4 (pronounced A Four) to Rs.32.00 crore non-fund based limits of KVR and ratings of [ICRA]BB/A4 to Rs. 4.00 crore unallocated limits of KVR. The outlook on the long term rating is stable.

The assigned ratings factor in long experience of over three decades of the management in the civil construction industry; revenue visibility in the medium term owing to outstanding order book of Rs. 122.53 crore as on September 2014 and reduced concentration risk of the order book with the company bagging new orders from central and other state projects as compared to its earlier dependence on Andhra Pradesh and Telangana.

The assigned ratings, however, are constrained by the modest scale of operations of the company; significant dip in revenues to Rs. 34.01 crore in FY2014 from Rs. 73.08 crore in FY2013 owing to political unrest in undivided Andhra Pradesh and slow movement of projects under execution. The ratings also factor in high project concentration of the order book, high working capital intensity of the business with high exposure to government clients, the exposure to steel and cement price fluctuations though it is mitigated to a certain extent by the price escalation clauses in the agreement and the highly fragmented and competitive industry marked by a presence of large number of players.

The ability of the company to increase its scale of operations while maintaining its profitability would be the key rating sensitivity going forward.

### Company Profile

KVR Projects Private Limited (KPPL) was established as a partnership firm in the year 1991 under the name of K Venkat Raju. It was converted into private limited company on March 31, 2014 and renamed as KPPL. The company undertakes projects in areas like irrigation, railways and road. KPPL is a Special Class contractor.

### Recent Results

For FY2014, the company has reported an operating income of Rs.34.01 crore and a profit after tax of Rs.1.50 crore as against Rs.73.08 crore and Rs.3.26 crore respectively for FY2013.

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<sup>\*</sup> 100 lakh = 1 crore = 10 million

<sup>†</sup> For complete rating scale and definitions, please refer to ICRA's website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications.



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