

July 12, 2024

Kirby Building Systems & Structures India Private Limited: Ratings reaffirmed

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund-based limits	19.00	19.00	[ICRA]AA- (Stable); reaffirmed
Non-fund based limits	1877.00	1877.00	[ICRA]AA- (Stable)/[ICRA]A1+; reaffirmed
Unallocated limits	4.00	4.00	
Total	1900.00	1900.00	

*Instrument details are provided in Annexure-I

Rationale

The reaffirmation of ratings factors in Kirby Building Systems & Structures India Private Limited's (Kirby's)¹ market leadership position in the pre-engineered buildings (PEB) segment with a strong pan-India sales network, reputed clientele and comfortable debt coverage metrics. Kirby's fresh order intake, on a consolidated basis, increased by 11% to 2,23,497 MT in CY2023 and is expected to further grow by 4-5% in CY2024. The sales volumes are projected to witness moderate growth of 3-5% in CY2024 (against growth of 9% in CY2023) due to slowdown in execution in H1 CY2024 on account of general elections. With softening of steel prices and the consequent net sales realisation, the revenues in CY2024 are likely to remain largely similar to CY2023. The operating margins improved by 180 bps to 10.8% in CY2023, supported by softening of steel prices. However, it is likely to remain at around ~9% in CY2024 owing to increasing competition and higher fixed costs for the Gujarat plant. The debt coverage indicators remained comfortable with an interest coverage of 6.7 times in CY2023, expected to sustain in medium term with lower reliance on debt. Kirby has been associated with diversified and reputed clients such as the Reliance Industries, MRF Limited, Amazon Seller Services Pvt Ltd, Asian Paints, Berger Paints, etc, and has consistently received repeat orders from its customers. Kirby is a part of the Kuwait-based Alghanim Industries (AI), which has a significant experience of more than four decades in the global PEB industry.

The ratings are, however, constrained by the elevated levels of Total Outside Liabilities/Tangible Net Worth (TOL/TNW) due to high creditors and reduced net worth over the years (owing to high dividend outflow from CY2020 to CY2022). The improvement in net worth in CY2023 on account of healthy accruals and nil dividends, led to improvement in net TOL/TNW² to 1.8 times as of December 2023 from 3.0 times as of December 2022. The company's current ratio is moderate as the total outside liabilities remained high with the working capital requirements primarily met by trade payables and advances from customers. While the company has unencumbered cash and bank balance of ~Rs. 400 crore as on June 30, 2024, this is primarily on account of negative working capital cycle owing to high level of customer advances and extended credit period against supplies. Despite the likely sizeable dividend outflow each year from CY2024, the management intends to maintain cash and bank balances of around Rs. 350-400 crore on a sustained basis. The ratings factor in the vulnerability of its revenues to private sector capex. However, the diversified end-user industries of Kirby's products and increasing adoption of PEB structures mitigate the risk of demand slowdown to an extent. These apart, the ratings consider the risks associated with adverse fluctuations in raw material prices.

¹ For arriving at the ratings, ICRA has considered the consolidated financials of KBSSIPL. The company has one subsidiary Kirby Building Systems & Structures India (Gujarat) Private Limited (KBSSIGPL). Collectively referred to as Kirby/company, both the entities are in the similar lines of business and have significant operational and financial linkages among them.

² TOL adjusted for unencumbered cash.

The Stable outlook on the [ICRA]AA- ratings reflects ICRA's belief that the company will maintain healthy order accretion and revenues, supported by its market leadership position in the PEB manufacturing industry. Further, the liquidity is expected to remain adequate with sizeable cash and bank balances on the back of strong cash flow generation.

Key rating drivers and their description

Credit strengths

Market leader in domestic PEB industry with healthy order accretion; part of Alghanim Industries – Kirby is the market leader in the PEB segment in India with a total installed capacity of 2,12,000 MT. Further, it has an established track record in the PEB segment for around two decades, having a diversified sales network in India with sales offices in 22 cities. The order accretion has been healthy over the years. It received sizeable orders of 2.2 lakh MT in CY2023 and 1.2 lakh MT in H1 CY2024. Kirby is a part of the Kuwait-based Alghanim Industries (AI), which has a significant experience of more than four decades in the global PEB industry.

Reputed and diversified customer portfolio with repeat orders – Kirby's fresh order intake, on a consolidated basis, increased by 11% to 2,23,497 MT in CY2023 and is expected to further grow by 4-5% in CY2024. It has been associated with diversified and reputed clients such as the Reliance Industries, MRF Limited, Amazon Seller Services Pvt Ltd, Asian Paints, Berger Paints, etc, and has consistently received repeat orders from its customers.

Comfortable debt coverage metrics – In CY2024, the sales volumes are projected to witness moderate growth of 3-5% in CY2024 (against growth of 9% in CY2023) due to slowdown in execution in H1 CY2024 on account of general elections. With softening of steel prices and the consequent net sales realisation, the revenues in CY2024 are likely to remain largely similar to CY2023. The operating margins improved by 180 bps to 10.8% in CY2023, supported by softening of steel prices. However, it is likely to remain at around ~9% in CY2024 owing to increasing competition and higher fixed costs for the Gujarat plant. The debt coverage indicators remained comfortable with an interest coverage of 6.7 times in CY2023, expected to sustain in medium term with lower reliance on debt.

Credit challenges

High net TOL/TNW and moderate current ratio – The net TOL/TNW remains elevated due to high creditors and reduced net worth over the years (owing to high dividend outflow from CY2020 to CY2022). The improvement in net worth in CY2023 on account of healthy accruals and nil dividends led to an improved net TOL/TNW to 1.8 times as of December 2023 from 3.0 times as of December 2022. The company's current ratio is moderate as the total outside liabilities remained high with the working capital requirements primarily met by trade payables and advances from customers.

Margins vulnerable to fluctuations in raw material prices – Kirby is exposed to fluctuation in raw material prices. However, the quarterly price fixation with suppliers, along with back-to-back arrangements, have supported the company to mitigate the risk to some extent.

Revenues exposed to variability in investments by private sector – The ratings factor in the vulnerability of its revenues to variability in investments by the private sector. However, the diversified end-user industries of Kirby's products and increasing adoption of PEB structures mitigate the risk of demand slowdown to an extent.

Liquidity position: Adequate

Kirby's liquidity position is adequate with the working capital requirements funded through favourable credit terms with suppliers and customer advances. The unencumbered cash and liquid investments stood healthy at ~Rs. 400 crore as of June 2024. The company has capex plans of around Rs. 60.0 crore in CY2024 towards capacity augmentation at the Gujarat plant and will be funded by internal accruals. It has principal repayment obligations of Rs. 13 crore each in CY2024 and CY2025, which can be comfortably serviced through its estimated cash flow from operations.

Rating sensitivities

Positive factors – ICRA could upgrade Kirby’s ratings if there is a healthy growth in revenues and earnings, along with a significant improvement in capitalisation ratios, liquidity position and ALM. Specific credit metrics for a rating upgrade include net TOL/TNW lower than 1.5 times on a sustained basis.

Negative factors – The ratings may witness pressure if any material decline in revenues or earnings and higher-than-estimated capex or dividends, result in a weakened liquidity position. A specific credit metric for a downgrade includes net TOL/TNW higher than 2.5 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of KBSSIPL. The company has one subsidiary Kirby Building Systems & Structures India (Gujarat) Private Limited (KBSSIGPL). Collectively referred to as Kirby Group/company, both the entities are in the similar lines of business and have significant operational and financial linkages among them.

About the company

Incorporated in 2005, Kirby Building Systems & Structures India Private Limited (KBSSIPL) (erstwhile Kirby Building Systems India (Uttaranchal) Private Limited (KBSIUPL)) is into manufacturing and erection of PEBs. The company is a wholly-owned subsidiary of Alghanim Industries (AI) through its investment company Alghanim Industries (Mauritius) Limited, based out of Kuwait, which has more than 30 businesses with operations in 40 countries. KBSSIPL has acquired 100% stake from AI in Kirby Building Systems India Private Limited (KBSIPL) in February 2017 and subsequently, KBSIPL was merged into KBSSIPL. The company received National Company Law Tribunal (NCLT) order in October 2018 for the merger of KBSIPL with KBSIUPL and the merger was in retrospective from April 2017. KBSSIPL has two manufacturing facilities located at Haridwar, Uttarakhand and at Pashamylaram, Telangana, near Hyderabad with PEB manufacturing of 1,00,000 MT per annum each.

Key financial indicators (audited)

Consolidated	CY2022	CY2023
Operating income	2,312.4	2,395.7
PAT	133.5	165.0
OPBDIT/OI	9.0%	10.8%
PAT/OI	5.8%	6.9%
Total outside liabilities/Tangible net worth (times)	4.4	3.0
Total debt/OPBDIT (times)	0.2	0.2
Interest coverage (times)	7.4	6.7

Source: Company, ICRA Research; All ratios as per ICRA’s calculations; Amount in Rs. crore

PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current rating (FY2025)		Chronology of rating history for the past 3 years							
		Amount rated (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023			Date & rating in FY2022			
			Jul 12, 2024	Jul 19, 2023	Jan 20, 2023	Oct 06, 2022	Sep 09, 2022	May 06, 2022	Oct 14, 2021	May 21, 2021	
1	Cash credit	19.0	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Stable)	[ICRA]AA-(Positive)	[ICRA]AA-(Positive)
2	Non-fund based limits	1877.0	[ICRA]AA-(Stable)/[ICRA]A1+	[ICRA]AA-(Stable)/[ICRA]A1+	[ICRA]AA-(Stable)/[ICRA]A1+	[ICRA]AA-(Stable)/[ICRA]A1+	[ICRA]AA-(Stable)/[ICRA]A1+	[ICRA]AA-(Stable)/[ICRA]A1+	[ICRA]AA-(Stable)/[ICRA]A1+	[ICRA]AA-(Positive)/[ICRA]A1+	[ICRA]AA-(Positive)/[ICRA]A1+
3	Non-fund based limits	-	-	-	-	-	-	-	-	-	-
4	Unallocated limits	4.0	[ICRA]AA-(Stable)/[ICRA]A1+	[ICRA]AA-(Stable)/[ICRA]A1+	[ICRA]AA-(Stable)/[ICRA]A1+	[ICRA]AA-(Stable)/[ICRA]A1+	[ICRA]AA-(Stable)/[ICRA]A1+	[ICRA]AA-(Stable)/[ICRA]A1+	[ICRA]AA-(Stable)/[ICRA]A1+	[ICRA]AA-(Positive)/[ICRA]A1+	[ICRA]AA-(Positive)/[ICRA]A1+

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term Fund-based – Cash credit	Simple
Long-term/ Short-term – Non-fund based limits	Very Simple
Long-term/ Short-term – Unallocated limits	Not Applicable

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 are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Cash credit	NA	NA	NA	19.0	[ICRA]AA- (Stable)
NA	Non-fund based limits	NA	NA	NA	1877.0	[ICRA]AA- (Stable)/[ICRA]A1+
NA	Unallocated limits	NA	NA	NA	4.0	[ICRA]AA- (Stable)/[ICRA]A1+

Source: Company

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Annexure II: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Kirby Building Systems & Structures India (Gujarat) Private Limited	100.00%	Full Consolidation

Source: Company; ICRA Research

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