May 28, 2020

Karda Constructions Limited: Update on entity

Summary of rating action

Instrument	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund-based – Cash Credit	33.00	33.00	[ICRA]BB-(Stable) Outstanding
Fund-based – Term Loan	31.00	31.00	[ICRA]BB-(Stable) Outstanding
Fund-based/Non-fund based - Proposed	36.00	36.00	[ICRA]BB-(Stable)/[ICRA]A4 Outstanding
NCD/Debt	50.00	50.00	[ICRA]BB-(Stable) Outstanding
Total	**150.00**	**150.00**	

**Instrument details are provided in Annexure-1*

Rationale

ICRA notes that Karda Constructions Limited (KCL) had sought moratorium on payments as a part of the Covid-19 relief package permitted by the Reserve Bank of India vide its circular dated March 27, 2020 and had missed its payment due in March 2020, even as a formal approval from the lender was received subsequent to the original date of debt servicing. The same has not been treated as a default in accordance with the guidance provided by the SEBI circular number SEBI/HO/MIRSD/CRADT/CIR/P/2020/53 dated March 30, 2020. ICRA will continue to monitor the situation as it evolves in over the coming weeks and its impact on the company and take appropriate rating action if necessary.

Key rating drivers

Karda Constructions Limited – Rationale dated July 29, 2019

Liquidity position: Stretched

KCL's liquidity is **stretched** given the sizable impending debt repayments which are contingent upon customer advances alongside limited buffer available in the form of cash and liquid investments and undrawn working capital limits. Also given the lockdown situation due to Covid-19 situation, collections in a timely fashion will also be an ongoing challenge in the near term. However, the company has availed moratorium as a part of the Covid-19 relief package permitted by the Reserve Bank of India, vide its circular dated March 27, 2020. The lender has approved the moratorium request made by the company.

Rating sensitivities

Positive triggers – ICRA could upgrade the rating in case of increase in bookings and collections results in a considerable increase in cashflows and reduction in debt on a sustainable basis.

Negative triggers – Downward pressure on the rating could arise if there is pressure on bookings and collections or increase in leverage on a prolonged basis on account of weaker-than-expected cash flows or higher than expected land investments. Any inadequacy of cash flows amid business interruptions from Covid-19 outbreak, which triggers cashflow mismatches will also be negative for the rating.

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for Real Estate Entities
Parent/Group Support	-
Consolidation/Standalone	Standalone approach

About the company

Incorporated in 2008, Karda is involved in the development of residential as well as commercial real-estate projects. The company is promoted by Mr. Naresh Karda, who is a Managing Director of the company and a Civil Engineer by qualification. A major number of the projects of the Group are residential and the Group provides homes ranging from a 1-BHK flats to penthouses.

In 9M FY2020, the company reported a net profit of Rs. 7.82 crore on an operating income of Rs. 86.60 crore, as compared to a net profit of Rs. 12.10 crore on an OI of Rs. 105.30 crore in FY2019.

Key financial indicators

	FY2018	FY2019	9M FY2020*
Operating Income (Rs. crore)	125.50	105.30	86.60
PAT (Rs. crore)	13.06	12.10	7.82
OPBDIT/ OI (%)	23.77%	28.44%	25.27%
RoCE (%)	18.74%	13.97%	-
Total Outside Liabilities/Tangible Net Worth (times)	2.59	1.82	-
Total Debt/ OPBDIT (times)	5.46	4.46	-
Interest Coverage (times)	1.51	1.75	1.56
DSCR	0.85	0.38	-

**Unaudited*

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2021) Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Current Rating 28-May-2020	Rating History for the past 3 years FY2020 29-Jul 2019	FY2019 28-Jun 2018	FY2018 03-Nov 2017
1	Cash Credit	Long Term	33.00	-	[ICRA]BB- (Stable)	[ICRA]BB- (Stable)	[ICRA]BB- (Stable)	[ICRA]BB- (Negative)
2	Term Loan	Long Term	31.00	-	[ICRA]BB- (Stable)	[ICRA]BB- (Stable)	[ICRA]BB- (Stable)	[ICRA]BB- (Negative)
3	Fund based/ Non-fund based	Long and Short Term	36.00	-	[ICRA]BB- (Stable)/ [ICRA]A4	[ICRA]BB- (Stable)/ [ICRA]A4	[ICRA]BB- (Stable)/ [ICRA]A4	[ICRA]BB- (Negative)/ [ICRA]A4
4	Proposed non-convertible debenture	Long Term	50.00	-	[ICRA]BB- (Stable)	[ICRA]BB- (Stable)	-	-

Complexity level of the rated instrument

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance/ Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loan	FY2015	-	FY2023	31.00	[ICRA]BB-(Stable)
NA	Cash Credit	-	-	-	33.00	[ICRA]BB-(Stable)
NA	Fund-based/ Non-fund based	-	-	-	36.00	[ICRA]BB-(Stable)/[ICRA]A4
NA	Proposed non-convertible debenture	FY2020*	13%*	FY2025*	50.00*	[ICRA]BB-(Stable)

**Proposed*

Source: Karda

ANALYST CONTACTS

Mr. K. Ravichandran
+91 44 4596 4301
ravichandran@icraindia.com

Mr. Suprio Banerjee
+91 22 6114 3443
supriob@icraindia.com

Ms. Preeti Kumaran
+91 22 6169 3356
preeti.kumaran@icraindia.com

Ms. Aprajita Singh
+91 22 6169 3364
aprajita.singh@icraindia.com

RELATIONSHIP CONTACT

Mr. Jayanta Chatterjee
+91 80 4332 6401
jayantac@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
communications@icraindia.com

Helpline for business queries:

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited

Corporate Office
Building No. 8, 2nd Floor, Tower A; DLF Cyber City, Phase II; Gurgaon 122 002
Tel: +91 124 4545300
Email: info@icraindia.com
Website: www.icra.in

Registered Office
1105, Kailash Building, 11th Floor; 26 Kasturba Gandhi Marg; New Delhi 110001
Tel: +91 11 23357940-50

Branches

Mumbai	+ (91 22) 24331046/53/62/74/86/87
Chennai	+ (91 44) 2434 0043/9659/8080, 2433 0724/ 3293/3294,
Kolkata	+ (91 33) 2287 8839 /2287 6617/ 2283 1411/ 2280 0008,
Bangalore	+ (91 80) 2559 7401/4049
Ahmedabad	+ (91 79) 2658 4924/5049/2008
Hyderabad	+ (91 40) 2373 5061/7251
Pune	+ (91 20) 2556 0194/ 6606 9999