November 18, 2020

Karda Constructions Limited: Update on Material Event

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based – Cash Credit	33.00	33.00	[ICRA]BB-&; outstanding
Long-term – Fund-based – Term Loans	31.00	31.00	[ICRA]BB-&; outstanding
Long-term/Short-term – Fund-based/ Non-fund based	36.00	36.00	[ICRA]BB-&/[ICRA]A4&; outstanding
NCD/Debt	50.00	50.00	[ICRA]BB-&; outstanding
Total	**150.00**	**150.00**	

**Instrument details are provided in Annexure-1*
&- under rating watch with developing implications

Material Event

ICRA understands that Karda Constructions Limited (KCL or the company) is considering refinancing of its loans from other lenders with the intention of clearing the dues of the existing lender. In parallel, the company's application for restructuring its existing loans is also under consideration by the existing lender. The application for withdrawing the restructuring proposal was shared with ICRA by KCL on November 10, 2020.

Impact of the Material Event

There has been no change in the rating and the same continues to be under rating watch with developing implications reflecting the uncertainty around the refinancing/ restructuring of its loans. As per ICRA's last release dated October 08, 2020, the ratings were placed on watch with developing implications, since KCL had applied for restructuring the loan on the due date and subsequently missed its repayment obligations on its sanctioned term loan of Rs. 31 crore, which was due on September 30, 2020. ICRA is monitoring the developments related to the approval of the refinancing proposal/ restructuring and will take an appropriate rating action once clarity emerges on the same.

The previous detailed rating rationale is available on the following link: Click here

Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for Real Estate Entities
Parent/Group Support	Not Applicable
Consolidation/Standalone	Standalone

About the company

Incorporated in 2008, KCL is involved in the development of residential as well as commercial real estate projects. The company is promoted by Mr. Naresh Karda, who is the managing director of the company and a civil engineer by qualification. A major number of the projects of the Group are residential with homes ranging from 1BHK apartments to penthouses. The company is listed on NSE and BSE.

In FY2020, the company reported a net profit of Rs. 9.64 crore on an operating income of Rs. 114.12 crore, compared to a net profit of Rs. 12.10 crore on an OI of Rs. 105.30 crore in FY2019. Further, in Q1 FY2021, the company reported a net profit of Rs 1.74 crore on an operating income of Rs. 16.21 crore.

Key financial indicators (audited)

	FY2019	FY2020	Q1FY2021
Operating Income (Rs. crore)	105.30	114.12	16.21
PAT (Rs. crore)	12.10	9.64	1.74
OPBDIT/ OI (%)	28.44%	24.00%	25.37%
RoCE (%)	13.97%	14.03%	-
Total Outside Liabilities/Tangible Net Worth (times)	1.82	1.81	-
Total Debt/ OPBDIT (times)	4.46	3.79	-
Interest Coverage (times)	1.75	1.53	1.23
DSCR	0.38	0.35	-

OPBDITA: Operating Profit before Depreciation, Interest, Taxes and Amortisation; PAT: Profit after Tax; RoCE: Return on Capital Employed
Source: Financial statements of KCL and ICRA research

Status of non-cooperation with previous CRA: Not Applicable

Any other information: None

Rating history for past three years

	Instrument	Current Rating (FY2021)						Rating History for the Past 3 Years		
		Type	Amount Rated	Amount Outstanding as of Oct-2020	Rating	Rating	Rating	FY2020	FY2019	FY2018
					18-Nov-2020	08-Oct-2020	28-May-2020	29-Jul-2019	28-Jun-2018	03-Nov-2017
1	Fund-based- Cash Credit	Long Term	33.00	-	[ICRA]BB-&	[ICRA]BB-&	[ICRA]BB- (Stable)	[ICRA]BB- (Stable)	[ICRA]BB- (Stable)	[ICRA]BB- (Negative)
2	Fund based Term Loan	Long Term	31.00	19.95	[ICRA]BB-&	[ICRA]BB-&	[ICRA]BB- (Stable)	[ICRA]BB- (Stable)	[ICRA]BB- (Stable)	[ICRA]BB- (Negative)
3	Fund based/ Non-fund based	Long Term/ Short Term	36.00	-	[ICRA]BB-&/ [ICRA]A4&	[ICRA]BB-&/ [ICRA]A4&	[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-&	[ICRA]BB-&	[ICRA]BB- (Stable)	[ICRA]BB- (Stable)	-	-

Amount in Rs. crore
&- under rating watch with developing implications

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-&
NA	Cash Credit	-	-	-	33.00	[ICRA]BB-&
NA	Fund-based/ Non-fund based	-	-	-	36.00*	[ICRA]BB-&/[ICRA]A4&
NA	Proposed non-convertible debenture	-	-	-	50.00*	[ICRA]BB-&

Source: KCL

**Proposed*

&- under rating watch with developing implications

Annexure-2: List of entities considered for consolidated analysis – Not applicable

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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.

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