



Rating Rationale

Khurana Constructions

29 Jan 2018

Brickwork Ratings assigns ratings for the Bank Loan Facilities of Khurana Constructions. ('KC' or 'The Firm')

Particulars

Facility Rated	Amount (Rs. Crs)	Tenure	Rating *
Fund Based Limit: ODBD	2.00	Long Term	BWR BB (Pronounced as BWR double B) (Outlook:Stable)
Non Fund Based Limit: Bank Guarantee	4.00	Short Term	BWR A4 (Pronounced as BWR A four)
Total	Rs. 6.00 Crs (INR Six Crores Only)		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings.

Rationale/Rating sensitivities:

BWR has essentially relied upon the firm's audited financial results of FY14, FY15, FY16 & FY17, financial projections up to FY20, publicly available information and clarifications/information provided by the partners.

The rating draws strength from an extensive experience of the partners, adequate debt protection matrices and a moderate leveraging. The ratings are however, constrained by a decline in revenues in FY17, declining trend in NPM. The company faces intense competition from many similar units in the unorganized sector.

The ability of the firm to increase the scale of operations, improve profitability and manage its working capital efficiently shall be the key rating sensitivity.

Key Rating Drivers:

The partners have an extensive experience of the business and the firm has been active for more than two decades; having been established in 1996.



Debt protection metrics are satisfactory with ISCR and DSCR at 6.77 and 3.23 times respectively in FY17. Leveraging is moderate with total outside liabilities to tangible net worth at 2.60 times and total debt to tangible net worth at 1.93. Short term borrowings includes an overdraft facility of Rs. 10.49 Crs against fixed deposits placed with the bank, which, up to a certain extent, has adversely impacted the gearing.

The revenues have declined by ~24.49 % from Rs. 40.70 Crs in FY16 to Rs. 30.73 Crs in FY17. EBIDTA has increased from 7.89% in FY16 to 13.18 % in FY17. However, NPM has decreased to 5.77% on account of tax liability.

Analytical Approach:

While assigning the Ratings, BWR has applied its rating methodology as detailed in the Rating Criteria (hyperlinks provided at the end of this rationale).

Rating Outlook: Stable

BWR believes **Khurana Constructions'** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the sales and profitability match/surpass the estimates. The rating outlook may be revised to 'Negative' in case the revenues and profits fail to match the projections.

About the Firm:

Khurana Constructions was established in 1996 as a partnership firm and got registered in 1998. The registered office is at Udaipur, Rajasthan and the Head Office at Vadodara, Gujarat. The firm is carrying a business of construction with its core strength in Civil, Structural and Architectural works, including Structural Steel Fabrication and Erection works. The firm is managed by Mr. Shrikant Khurana, Mr. Amarkant Khurana and Vishal S Khurana.

Firm Financial Performance:

The Firm has recorded a total operating income of Rs. 30.73 Crs and a profit after tax of Rs. 1.77 Crs in FY17 against a TOI of Rs. 40.70 Crs and a PAT of Rs. 2.71 Crs in FY16.

Key Financial Figures			
Particulars	Unit	FY16 (Audited)	FY17 (Audited)
Operating Income	Rs. Crores	40.70	30.73
EBITDA	Rs. Crores	3.21	4.05
PAT	Rs. Crores	2.71	1.77
Tangible Networth	Rs. Crores	6.29	7.32
Total Debt	Rs. Crores	14.03	14.12
Total Debt : Equity	Times	2.23	1.93
Current Ratio	Times	1.41	1.34

Rating History for the last three years: (including withdrawn/suspended ratings)

Sl. No.	Instrument/ Facility	Current Rating (Year 2018)			Rating History		
		Type(Long Term/Short Term)	Amount (Rs Crs)	Rating	2016	2015	2014
1	Fund Based	Long Term	2.00	BWR BB (Pronounced as BWR double B) (Outlook:Stable)	--	--	--
2	Non Fund Based	Short Term	4.00	BWR A4 (Pronounced as BWR A four)	--	--	--
Total : Rs. 6.00 Crs (INR Six Crores Only)							

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Short Term Debt](#)
- [Services Sector](#)



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For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

DISCLAIMER

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