Rating Rationale

Brickwork Ratings assigns 'BWR BB-' & 'BWR A4' for the Bank loan facilities aggregating ₹ 15 Cr of Kifco Infrastructure Limited.

Brickwork Ratings assigns the following **Ratings**[1] for the Bank Loan Facilities of Kifco Infrastructure Private Limited ('KIPL or the Company')

Facility	Limit (₹ Cr)	Tenure	Rating
Fund Based Cash Credit*	12.00	Long Term	**BWR BB-** (Pronounced BWR Double B Minus) **Outlook:Stable**
Non Fund Based Bank Guarantee	3.00	Short Term	**BWR A4** (Pronounced BWR A Four)
Total	**15.00**	**(INR Fifteen Crores only)**	

*Proposed Limits amount to ₹ 8Cr.

BWR has essentially relied upon the audited financial results up to FY14, provisional financials for FY15, projections up to FY16, publicly available information and clarifications provided by the Company.

The ratings inter alia factors in relatively small scale of Operations, weak financial profile marked by low profitably, leveraged capital structure and moderate debt protection indicators. The ratings however derive strength from experience of the promoters in the industry.

Background

Kifco Infrastructure Pvt Ltd (KIPL) operate in India and provide both industrial infrastructure and water management solutions and uses Cast Iron (CI) Pipes, Ductile Iron (DI) Pipes, Double Flanged (DF) Pipes, Fittings, Rubber Gaskets, Valves, Rain Water Pipes and Soil Pipes for Drainage Water Pipe Line projects as per BIS/ISO Standards.

KIPL undertakes all kinds of infrastructure projects, either on consultancy / turnkey basis or supply, from potable water treatment & supply to power plants, from waste water collection and treatment to subterranean piping, sluice valve and floodgate intersection/networks, and developmental facilities.

The Company offers a full range of project development, design, and implementation services, including supply of materials and project financing.

The Group is well equipped to undertake projects on turnkey basis including planning, designing and execution.

[1] ***Please refer to www.brickworkratings.com for definition of the Ratings***

The Company largely covers the following activity

- Water Pipeline Projects
- Water Treatment Plants
- Infrastructure & Turnkey Projects relating to Water Management

The Company offers expertise in

- Developing guidelines
- Examining and Advising on drawings & Specifications
- Developing liaison with the Government, Corporations, Boards Consultants, Contractors and Public & Private Sector undertakings
- Supply of Plants, Equipment Fittings and Accessories.

Management

KIFCO is promoted and managed by Mr. Divyang Mehta, (Managing Director) FCA by profession and have experience in the banking finance. He has ability to drive the organization in challengeable environment by considering the organizational factors as well as market demand and have successfully run the company for the past 12 years. He has successfully transformed the company from Liaoning Agent to EPCM Contractor as well developer of Infrastructure. KIPL is managed with excellent Back & Front office staff having rich and varied experience in the field of engineering management and finance.

Financial Performance

Operating Income (OI) has shown a volatile trend for the last three years. OI have increased to Rs14.07cr in FY13 from Rs6.72Cr in FY12. However it declined marginally to Rs12.34cr in FY14. Profit after Tax stood relatively low at Rs0.02Cr in FY12 and 0.10Cr in FY14. Operating margin and Net profit margin stood at 3.87% and 0.81% in FY14 and it has remained largely in line for last three years. Capital structure of the company is highly leveraged with total debt/tangible net worth 3.24x in FY14. Coverage indicators stood moderate with interest service coverage ratio at 1.12x and debt service coverage at 1.22x.

Rating Outlook

The ability of the company to increase it scale of operations and profitability along with improved capital structure is the key rating sensitivity.

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