

### Chirag Construction Company (CCC): Assigned

Facilities	Amount (Rs. Crore)	Ratings/Outlook
Cash Credit	2.45	SMERA B+/Stable (Assigned)
Bank Guarantee	4.00	SMERA A4 (Assigned)
Facility (Proposed)	1.05	SMERA B+/Stable/SMERA A4 (Assigned)

SMERA has assigned long term rating of **'SMERA B+' (read as SMERA B plus)** and short term rating of **'SMERA A4' (read as SMERA A Four)** to the Rs.7.50 crore bank facilities of Chirag Construction Company (CCC). The outlook is **'Stable'**. The ratings are constrained by the small scale of operations, low net worth base, high gearing and geographic concentration risk. However, the ratings draw support from the experienced management and moderate order book position.

CCC is a Madhya Pradesh-based proprietorship firm engaged in civil construction. Established in 2008, the firm has small scale of operations with operating income of Rs.11.82 crore in FY2015-16 as against Rs.10.34 crore in FY2014-15. The gearing (debt-to-equity) stood at 1.50 times in FY2015-16 as against 0.96 times in the previous year. The firm has low net worth base of Rs.2.16 crore in FY2015-16 and caters primarily to government organisations in Madhya Pradesh thus exposing itself to geographic concentration risk.

However, CCC benefits from its experienced management. Mr. Mehrudden Khan, possesses over a decades experience in road construction. The firm has moderate order book with around Rs.24.00 crore of unexecuted orders that lends revenue visibility over the medium term.

#### Rating Sensitivity Factors

- Scaling up operations while maintaining profitability
- Improvement in the capital structure

#### Outlook-Stable

SMERA believes that CCC will maintain a stable outlook in the medium term owing to its promoter's extensive industry experience and moderate financial risk profile. The outlook may be revised to 'Positive' in case of sustained and substantial increase in scale of operations and efficient working capital management. Conversely, the outlook may be revised to 'Negative' if the firm reports lower than expected revenues or if it undertakes debt-funded capex increasing its debt-equity ratio.

#### About the Firm

CCC, established in 2008, is a Madhya Pradesh-based civil construction firm promoted by Mr. Mehrudeen Khan. The firm, a Class 1A civil contractor, is engaged in the construction of roads for government organisations such as Madhya Pradesh Rural Road Development Authority and Public Works Department (PWD).

For FY2015-16 (provisional), CCC reported net profit after tax (PAT) of Rs.0.74 crore on operating income of Rs.11.82 crore as against PAT of Rs.0.56 crore on operating income of Rs.10.34 crore in FY2014-15. The tangible net worth stood at Rs.2.16 crore in FY2015-16 as against Rs.1.64 crore in the previous year.



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