

Press Release

Chandra Nirman Private Limited

8 January, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 14.50 Cr.
Long Term Rating	SMERA BB+ / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB+**' (read as SMERA double B plus) and short term rating of '**SMERA A4+**' (read as SMERA A four plus) on the Rs.14.50 crore bank facilities of Chandra Nirman Private Limited (CNPL). The outlook is '**Stable**'.

CNPL, a Chattisgarh-based company was established in 1974 by Mr. Shyam Lal Agarwal and family. The company undertakes civil construction contracts for construction of roads, commercial and industrial buildings, bridges, power projects to name a few in Chattisgarh and Madhya Pradesh. The company caters to government and semi government entities. CNPL is categorised as 'A5' class contractor by the Public Works Department, Chattisgarh. The day-to-day operations are led by Mr. Saurabh Agarwal and Mr. Sameer Agarwal, sons of Mr. Shyam Lal Agarwal.

Key rating drivers

Strengths

Established track record of operations and experienced promoter

CNPL has established operational track record in the civil construction industry for more than four decades. The company has undertaken construction of roads, power projects, dams etc. for government and semi-government entities mainly in Chattisgarh and Madhya Pradesh. Further, the promoters, Mr. Shyam Lal Agarwal, Mr. Saurabh Agarwal and Mr. Sameer Agarwal collectively possess more than four decades of experience in the civil construction industry.

Moderate financial risk profile and comfortable liquidity position

CNPL has moderate financial risk profile marked by tangible networth of Rs. 8.47 crore (Provisional) as on 31 March, 2017 as against Rs.7.45 crore in the previous year. The gearing stood at 0.88 times (Provisional) as on 31 March, 2017 as against 1.02 times in the previous year. The total debt of Rs.9.28 crore as on 31 March, 2017 (Provisional) includes short term

borrowings of Rs.7.05 crore and long term borrowings of Rs. 2.23 crore. The Net Cash Accrual to Total Debt (NCA/TD) stood at 0.46 times (Provisional) as on 31 March, 2017 as against 0.16 times in the previous year. The Interest Coverage Ratio (ICR) stood at 5.30 times (Provisional) in FY2017 as against 2.48 times in FY2016. The Total Outside Liabilities to Tangible Networth (TOL/TNW) stood at 2.19 times (Provisional) as on 31 March, 2017 against 2.41 times in the previous year. Further, CNPL has comfortable liquidity position as the average cash credit limit utilisation for the last six months ended as on 31 August, 2017 stood at ~70 percent.

Improvement in revenue growth supported by healthy order book position

CNPL has reported operating income of Rs.56.11 crore (Provisional) for FY2016-17 as against Rs.48.31 crore in the previous year. The company reported compounded annual general growth (CAGR) of around 12 percent for the last four years ended FY2017. Further, as informed by the management CNPL reported operating income of Rs. 24.90 crore during April, 2017 to August, 2017. The significant growth in revenue is on account of the healthy order book position and timely execution of contracts. CNPL has unexecuted orders in hand of Rs.227 crore as on 31 June, 2017 which provides modest revenue visibility over the medium term.

Weaknesses

High dependence on government orders

CNPL mainly executes contracts for two government departments i.e. Water Resources Department of Madhya Pradesh (MPWRD) and Municipal Corporation of Madhya Pradesh and Chhattisgarh (MCMC) and hence is exposed to customer concentration risk. However, the company has been dealing with government bodies for a long time and hence enjoys long term relations.

Intense competition

CNPL is exposed to intense competition from organised and unorganised players in the civil construction industry.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of the company.

Outlook – Stable

SMERA believes that the outlook on CNPL's rated facilities will remain stable over the medium term on account of its established presence and experienced promoters in the civil construction industry. The outlook may be revised to 'Positive' if the company registers significant growth in revenue and profitability while maintaining a comfortable liquidity position and capital structure. Conversely, the outlook may be revised to 'Negative' in case of company registers significant decline in cash accruals or stretched working capital cycle resulting in deterioration of its financial risk profile.

About the Rated Entity – Key Financials

Particulars	Unit	FY17 (Prov)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	56.11	48.31	38.89
EBITDA	Rs. Cr.	6.24	2.75	2.48
PAT	Rs. Cr.	3.60	1.02	0.71
EBITDA Margin	(%)	11.13	5.70	6.37
PAT Margin	(%)	6.42	2.12	1.83
ROCE	(%)	31.42	16.91	14.23
Total Debt/Tangible Net Worth	Times	2.19	2.41	2.49
PBDIT/Interest	Times	5.30	2.48	2.06
Gross Current Assets	Days	72.68	84.25	179.32

Any other information:

Not Applicable

Applicable Criteria

- Infrastructure Entities - <https://www.smerra.in/criteria-infrastructure.htm>
- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Application Financial Ratios and Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

<https://www.smerra.in/criteria-complexity-levels.htm>

Status of non-cooperation with previous CRA (if applicable):

None

Rating History (Upto last three years)

Not Applicable

Annexure - Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.50	SMERA BB+/ Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	7.00	SMERA A4+

Contacts:

Analytical	Rating Desk
Vinayak Nayak, Head – Ratings Operations Tel: +91-22-6714 1190 Email: vinayak.nayak@smera.in Deep Majumder, Rating Analyst, Tel: +91-22-6714 1147 Email: deep.majumder@smera.in	Varsha Bist Sr. Executive Tel: 022-67141160 Email: varsha.bist@smera.in

ABOUT SMERA

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