

Press Release

Chandra Nirman Private Limited

August 08, 2018



Rating Upgraded and Assigned

Total Bank Facilities Rated*	Rs.26.50 Cr.
Long Term Rating	ACUITE BBB- / Outlook: Stable
Short Term Rating	ACUITE A3

* Refer Annexure for details

Rating Rationale

Acuité has upgraded and assigned long-term rating to '**ACUITE BBB-**' (**read as ACUITE BBB minus**) from '**ACUITE BB+**' (**read as ACUITE BB Plus**) and upgraded short term rating to '**ACUITE A3**' (**read as ACUITE A three**) from '**ACUITE A4+**' (**read as ACUITE A Four Plus**) on the Rs.26.50 crore bank facilities of Chandra Nirman Private Limited. The outlook is '**Stable**'.

Chandra Nirman Private Limited (CNPL) was incorporated in the year 1974 by Mr. Shyam Lal Agarwal and his family members. In September 2005, the firm was converted into a private limited company. CNPL is a Chhattisgarh-based company, engaged in providing different types of civil constructions in the segments like commercial, industrial buildings and dams etc under government and semi government entities. The company mainly caters clients and projects present in Chhattisgarh and Madhya Pradesh. The company has a status of 'A-5' (highest in the scale of A1 to A5) class contractor from PWD, Chhattisgarh. The company has an unexecuted order book position of Rs.325.00 crore as on 30th June 2018 and to be executed over the next 2 years.

Key Rating Drivers

Strengths

- **Established track record of operations and experienced management**

Chandra Nirman Private Limited (CNPL) was incorporated in the year 1974 by Mr. Shyam Lal Agarwal and his family members. In September 2005, the firm was converted into a private limited company. Currently the day to day operations of the company is managed by Mr. Saurabh Agarwal and Mr. Sameer Agarwal. The management is having work experience of more than a decade in the same line of business. CNPL is engaged in providing different types of civil constructions in the segments like roads, commercial, industrial buildings, bridges, power projects, dams etc. under government and semi government entities.

- **Moderate financial risk profile and comfortable liquidity position**

The company is having moderate financial risk profile marked low net worth, comfortable gearing and comfortable interest coverage ratio. The net worth of the company stood at Rs.13.39 crore as on 31st March 2018 (Prov) as against Rs.10.24 crore in the previous year. The company is having comfortable gearing at 0.67 times as on 31st March 2018 (Prov) as against 0.91 times in the previous year. The total debt of Rs. 8.99 crore consists of long term debt portion of Rs.1.63 crore and 7.36 crore of short term debt obligations. The interest coverage ratio stood at 6.64 times in FY18 (Prov) as against 3.92 times in the previous year. NCA/TD ratio stood 0.42 times in FY18 (Prov). Further, the cash credit utilization for CNPL stood at 80 percent as for the period ended June 2018.

- **Healthy order book position**

The company is having healthy order book position of Rs.325 crores out of which Rs.25 crores of orders are already executed as on date. Hence, the healthy order book provides modest revenue visibility for the firm over the medium term. Further, CNPL has a success bid ratio of around 80 percent.

- **Reputed clientele base**

The company is having reputed client profile like - Chhattisgarh State Warehousing Corporation, Engineering Projects India Limited - Maharashtra, PWD Bemetara, Office of Municipal council -

Annupur (MP), Municipal Council - Kotma (MP), Power Grid Corporation of India, Water Resource Division - MP etc to name a few. More over recently the company has secured the order of Pradhan Mantri Awas Yojana Scheme for Rs. 90 crores for building of ~ 2000 house hold units. Hence entire revenue is generated from State Government and Central Government, thus providing low counter party risk.

Weaknesses

- **Customer concentration risk**

About 50 percent of orders of the company are coming from Chhattisgarh and remaining 50 percent from Madhya Pradesh (MP) thus is exposed to significant customer concentration risk, however, the risk is mitigated as the company is dealing with government bodies for very long time and receives regular tenders from them.

- **Working capital intensive nature of operations**

CNPLs operations are working capital intensive by nature which is marked by gross current asset day (GCA) of 194 (Provisional) during FY2018 as against 102 days for FY2017. This is on account of increase in inventory of Rs.4.96 crore (provisional) as on 31st March 2018 as against Rs.0.70 crore in the previous year.

Analytical Approach

Acuité has considered standalone business and financial risk profile of the company.

Outlook: Stable

Acuité' believes the outlook on CNPL rated facilities will remain stable over the medium term on account of its established presence and experienced promoters in the same line of business for more than four decades. The outlook may be revised to 'Positive' if the company registers significant and sustainable 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

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	57.90	55.94	48.18
EBITDA	Rs. Cr.	6.24	3.65	2.34
PAT	Rs. Cr.	3.15	1.77	1.02
EBITDA Margin	(%)	10.78	6.53	4.87
PAT Margin	(%)	5.44	3.16	2.12
ROCE	(%)	26.84	20.19	15.29
Total Debt/Tangible NetWorth	Times	0.67	0.91	1.02
PBDIT/Interest	Times	6.64	3.92	2.80
Total Debt/PBDIT	Times	1.44	2.24	2.99
Gross Current Assets (Days)	Days	130	102	126

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

Not applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-14.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument
<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
08-Jan-2018	Cash Credit	Long Term	INR 7.5	ACUITE BB+ / Stable
	Bank Guarantee	Short Term	INR 7	ACUITE A4+

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.50	ACUITE BBB- / Stable (Upgraded)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BBB- / Stable (Assigned)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE A3 (Upgraded)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE A3 (Assigned)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE A3 (Assigned)

Contacts

Analytical	Rating Desk
Pooja Ghosh Head – Corporate and Infrastructure Sector Ratings Operations Tel: 033-66201203 pooja.ghosh@acuite.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in
Deep Majumder Analyst - Rating Operations Tel: 033-66201206 deep.majumder@aciteratings.in	

About Acuité Ratings & Research:

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