

Press Release

Chandra Nirman Private Limited

October 09, 2020

Rating Reaffirmed



Total Bank Facilities Rated*	Rs.44.25 Cr. (Enhanced from Rs.30.50 Cr.)
Long Term Rating	ACUITE BBB-/ Outlook: Stable (Reaffirmed)
Short Term Rating	ACUITE A3 (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and the short term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs.44.25 crore bank facilities of Chandra Nirman Private Limited (CNPL). The outlook is '**Stable**'.

About the Company

Chhattisgarh-based, CNPL was incorporated in 2005 and is promoted by Mr. Saurabh Agarwal and Mr. Sameer Agarwal. The company undertakes infrastructure development projects related to water supply, sewerage, buildings dams and roads for government and semi-government entities. CNPL is registered as 'A-5' (highest in the scale of A1 to A5) class contractor with PWD, Chhattisgarh.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the CNPL to arrive at this rating.

Key Rating Drivers

Strengths

• Experienced promoters along with improving business risk profile

CNPL was founded by Mr. Shyam Lal Agarwal and his family members in 1974 and since then it undertakes different types of civil constructions projects like water supply, sewerage, buildings, dams and roads for government and semi-government entities. CNPL is being promoted by the second line of management, comprising Mr. Saurabh Agarwal and Mr. Sameer Agarwal. The promoters possess experience of more two decades in the infrastructure sector. This extensive experience of promoters has helped CNPL in securing tender orders of Rs.403.17 crore as on July 31, 2020, which further provides revenue visibility for near to medium term. The operating income of the company has improved to Rs.104.17 crore in FY2020 (Provisional) from Rs.54.75 crore in FY2019. The company is growing at compounded annual growth rate (CAGR) of 34% percent since FY2018.

Acuité believes that the GPCPL promoter's established presence in the infrastructure sector to support its business risk profile over near to medium term.

• Healthy financial risk profile

CNPL's financial risk profile is healthy, marked by moderate net worth, low gearing and healthy debt protection metrics. The net worth of CNPL stood around Rs.23.57 crores as on March 31, 2020 (Provisional) as against Rs.17.45 crore as on March 31, 2019. The net worth levels have seen significant improvement over the last three years through FY2020 on account of healthy accretion to reserves.

CNPL has followed conservative financial policy; the same is reflected through its peak gearing in the past around 0.63 times as on March 31, 2018, and improved to the current levels of 0.46 times as on March 31, 2020 (Provisional). The total outside liabilities to tangible net worth (TOL/TNW) level stood at 1.52 times as on March 31, 2020 (Provisional) as against 2.00 times as on March 31, 2019. The total debt of Rs.10.81 crore as on March 31, 2020 (Provisional) comprising of working capital borrowings to the tune of Rs.9.27 crore, unsecured loans from promoters of Rs.1.30 crore and term loans to the tune of Rs.0.25 crore.

The debt protection metrics are healthy marked by Interest Coverage Ratio (ICR) and Debt Service

Coverage Ratio (DSCR) stood at 6.51 times and 4.03 for FY2020 as against 4.94 times and 2.47 times for FY2019, respectively. NCA/TD stood at 0.62 times in FY2020 (Provisional) as against 0.50 times in FY2019.

Acuite believes that the financial risk profile is expected to be at similar levels over the medium term.

Weaknesses

• Working capital intensive operations

Despite the improvement, the operations of CNPL are intensive marked by GCA days of 124 in FY2020 (Provisional), an improvement from 199 in FY2019. The GCA days are mainly dominated by other current assets in the form of withheld money of Rs.13.02 crore and inventory days of 39 for FY2020 (Provisional) as against 91 days for FY2019. Debtor days stood at 6 for FY2020 (Provisional) and 1 day for FY2019.

Acuite believes that efficient working capital management will be crucial to the CNPL in order to maintain a stable credit profile.

• Competitive and fragmented industry

CNPL is into the business of civil construction. This particular sector is marked by the presence of several mid to big size players. CNPL faces intense competition from the other players in the sectors. Risk becomes more pronounced as tendering is based on a minimum amount of bidding of contracts.

Liquidity position: Adequate

CNPL has adequate liquidity marked by healthy net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.4.5-6.75 crore during the three years through 2018-2020, while its maturing debt obligations were in the range of Rs.0.24-0.40 crore over the same period. The cash accruals of the company are estimated to remain around Rs.7-8 crore during 2019-20, while its repayment obligations are estimated to be around Rs.0.25 crore for FY2021. The company's operations are working capital intensive as marked by Gross Current Asset (GCA) days of 124 in FY2020 (Provisional). However, the reliance on working capital borrowings was moderate around 70% for the past six months ended in July, 2020. The company maintains unencumbered cash and bank balances of Rs.0.13 crore as on March 31, 2020 (Provisional). The current ratio of the company stood healthy at 1.12 times as on March 31, 2020 (Provisional) as compared to 0.99 times as on March 31, 2019. Acuite believes that the liquidity of the company is likely to remain adequate over the medium term on account of healthy cash accrual and no major repayments over the medium term.

Rating Sensitivities

- Elongation in the working capital cycle resulting in higher reliance on external working capital borrowings
- Improvement in operating performance while maintaining profitability margins

Material Covenants

None

Outlook: Stable

Acuite believes that CNPL will maintain a 'Stable' outlook over the medium term on account of promoter's experience in the industry and its improving business risk profile. The outlook may be revised to 'Positive' in case the company registers healthy growth in its revenues while sustaining the profitability. Conversely, the outlook may be revised to 'Negative' in case of a decline in revenue or deterioration of financial risk profile.

About the Rated Entity - Key Financials

	Unit	FY20 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	104.17	54.75
PAT	Rs. Cr.	6.12	3.20
PAT Margin	(%)	5.87	5.85
Total Debt/Tangible Net Worth	Times	0.46	0.44
PBDIT/Interest	Times	6.51	4.94

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-51.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
07-Sep-2020	Cash Credit	Long Term	7.00	ACUITE BBB-/ Stable (Upgraded)
	Cash Credit	Long Term	3.00	ACUITE BBB-/ Stable (Assigned)
	Bank Guarantee	Short Term	7.00	ACUITE A3 (Withdrawn)
	Bank Guarantee	Short Term	18.00	ACUITE A3 (Upgraded)
	Bank Guarantee	Short Term	2.50	ACUITE A3 (Upgraded)
05-Nov-2019	Cash Credit	Long Term	7.50	ACUITE BB+ (Withdrawn)
	Cash Credit	Long Term	7.00	ACUITE BB+/ Stable (Downgraded from ACUITE BBB-/ Stable)
	Bank Guarantee	Short Term	7.00	ACUITE A4+ (Downgraded from ACUITE A3)
	Bank Guarantee	Short Term	12.50	ACUITE A4+ (Downgraded from ACUITE A3)
08-Aug-2018	Cash Credit	Long Term	7.50	ACUITE BBB- / Stable (Upgraded)
	Cash Credit	Long Term	3.00	ACUITE BBB- / Stable (Assigned)
	Bank Guarantee	Short Term	7.00	ACUITE A3 (Upgraded)
	Bank Guarantee	Short Term	3.00	ACUITE A3 (Assigned)
	Bank Guarantee	Short Term	6.00	ACUITE A3 (Assigned)
08-Jan-2018	Cash Credit	Long Term	7.50	ACUITE BB+ / Stable (Assigned)
	Bank Guarantee	Short Term	7.00	ACUITE A4+ (Assigned)

***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	7.00	ACUITE BBB-/Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BBB-/Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	18.00	ACUITE A3 (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	16.25 (Enhanced from Rs.2.50 Cr.)	ACUITE A3 (Reaffirmed)

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About Acuité Ratings & Research:

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