

Press Release

Chandra Nirman Private Limited

December 29, 2021



Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Ratings	34.25		ACUITE A3 Reaffirmed
Bank Ratings	10.00	ACUITE BBB- Stable Reaffirmed	
Total	44.25	-	-

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'.

Rationale for rating reaffirmation

The rating reaffirmation reflects sustained operations and profitability for FY2021, moderate financial risk profile, adequate liquidity position, extensive experience of promoters and reputed clientele with the company having a status of 'A-5' class contractor with many government departments. Also the rating factors in comfort derived by order book position of Rs. 447.82 Cr with the company also bid for orders worth Rs. 466.94 Cr which further provides revenue visibility. Moreover, the firm has booked revenue of ~Rs. 40.00 Cr as on September 2021. On the contrary, the firm operates in working capital intensive, competitive and fragmented industry

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 comfortable 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.447.82 crore. Additionally, the company has bid for others worth Rs. 466.94 Cr which further provides revenue visibility for near to medium term.

- **Comfortable financial risk profile**

The financial risk profile continues to be comfortable marked by improved net worth of Rs. 28.90 crore as on 31 March, 2021(Prov.) as against Rs. 24.02 crore as on 31 March, 2020. The gearing is low at 0.43 times as on 31 March, 2021 (Prov) as against 0.45 times in the previous year. The total debt of Rs.12.51 crore as on 31 March, 2021 (Prov) includes short term debt of Rs.9.48 crore, long term debt of Rs.0.12 crore, Current portion of long term debt of Rs. 0.10 Cr and interest free unsecured loan from related parties of Rs.2.81 crore. Interest Coverage Ratio (ICR) deteriorated and stood at 5.10 times in FY2021 (Prov) from 6.58 times in the previous year due to fall in operating income. Further, Debt service coverage ratio stood at 3.77 times as against 4.25 in the previous year. Total Liabilities to Tangible Net Worth (TOL/TNW) stood at 1.18 times as on 31 March, 2021 (Prov) as against 1.48 times in the previous year. Acuité expects the company to maintain its financial risk profile in the absence of major debt funded capex plan and moderate working capital requirement.

Weaknesses

>Working capital intensive operations

The operations of CNPL are intensive marked by GCA days of 226 in FY2021 (Provisional) which deteriorated from 181 in FY2020. The GCA days are mainly dominated by other current assets in the form of withheld money and inventory days of 36 days for FY2021 (Provisional) as against 35 days for FY2020. Debtor days stood at 14 days for FY2021 (Provisional) and 8 days for FY2020. Acuité 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.

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

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. 5.54 crore as against maturing debt obligations of Rs. 0.10 crore over the same period. The cash accruals of the company are estimated to remain around Rs. 6.48-7.46 crore during 2022-23, while its repayment obligations are estimated to be around Rs.0.10 crore for FY2022. The company's operations are working capital intensive as marked by gross current asset (GCA) days of 226 in FY2021 (Prov) The GCA days are mainly dominated by other current assets in the form of withheld money and retention money. Further, inventory days of 36 for FY2021 (Provisional) as against 35 days for FY2020. Debtor days stood at 14 for FY2021 (Provisional) and 8 days for FY2020. However, the reliance on working capital borrowings were moderate around with the fund based limits being utilized at an average of 72.93 per cent for the past nine months ended October, 2021 and the non-fund based limits being utilized at an average of 74.50 per cent for the past twelve months ended October 2021. The company maintains unencumbered cash and bank balances of Rs.0.17 crore as on March 31, 2021 (Prov). The current ratio of the company stood healthy at 1.90 times as on March 31, 2021 (Prov) as compared to 1.62 times as on March 31, 2020.

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.

Outlook: Stable

Acuité 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.

Key Financials

Particulars	Unit	FY 21 (Provisional)	FY 20 (Actual)
Operating Income	Rs. Cr.	87.66	105.05
PAT	Rs. Cr.	4.88	6.57
PAT Margin	(%)	5.57	6.26
Total Debt/Tangible Net Worth	Times	0.43	0.45
PBDIT/Interest	Times	5.10	6.58

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 Sector: <https://www.acuite.in/view-rating-criteria-51.htm>
- Application Of 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

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
09 Oct 2020	Bank Guarantee	Short Term	16.25	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	7.00	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	3.00	ACUITE BBB- Stable (Reaffirmed)
	Bank Guarantee	Short Term	18.00	ACUITE A3 (Reaffirmed)
07 Sep 2020	Bank Guarantee	Short Term	7.00	ACUITE A3 (Withdrawn)
	Cash Credit	Long Term	3.00	ACUITE BBB- Stable (Assigned)
	Bank Guarantee	Short Term	2.50	ACUITE A3 (Upgraded from ACUITE A4+)
	Bank Guarantee	Short Term	18.00	ACUITE A3 (Upgraded from ACUITE A4+)
	Cash Credit	Long Term	7.00	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
05 Nov	Bank Guarantee	Short Term	12.50	ACUITE A4+ (Downgraded from ACUITE A3)
	Bank Guarantee	Short Term	7.00	ACUITE A4+ (Downgraded from ACUITE A3)

2019	Cash Credit	Long Term	7.00	ACUITE BB+ Stable (Downgraded from ACUITE BBB- Stable)
	Cash Credit	Long Term	7.50	ACUITE BB+ (Withdrawn)
08 Aug 2018	Cash Credit	Long Term	7.50	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
	Cash Credit	Long Term	3.00	ACUITE BBB- Stable (Assigned)
	Bank Guarantee	Short Term	7.00	ACUITE A3 (Upgraded from ACUITE A4+)
	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

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Union Bank of India	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	18.00	ACUITE A3 Reaffirmed
HDFC Bank Ltd	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	16.25	ACUITE A3 Reaffirmed
Union Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE BBB- Stable Reaffirmed
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BBB- Stable Reaffirmed

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About Acuité Ratings & Research

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