

Press Release

Chandra Nirman Private Limited

March 14, 2023

Rating Reaffirmed



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

Rating Rationale

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

Rating Rationale

The rating continues to reflect the stable business risk profile marked by extensive experience of the management, well diversified order book position and healthy profitability margin during the period. The rating also factors in the comfortable financial risk profile of the company. However, these strengths are partially offset by the working capital intensive nature of operation and declining revenue trend.

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

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

Key Rating Drivers

Strengths

Experienced management and long track record of operation

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. Acuité believes its long-established market presence, promoters extensive experience and successful completion of the past contracts will help to secure fresh orders going forward.

Healthy profitability margin

The operating profitability margin of the company stood at 9.76 per cent in FY2022 as compared to 9.46 per cent in the previous year. This marginal improvement in operating profitability is on account of decrease in job work expenses during the period. The operating profitability margin of the company has further improved to 9.95 per cent till 9MFY23 (Prov.). Acuité believes that the profitability margin of the company will sustain at the same level backed by in-built price escalation clause that provides cushion for covering the increased input cost. This helps the company from any large variation in the raw material prices, thus protecting the operating margins to a certain extent.

The net profitability margin of the company has slightly improved to 5.60 per cent in FY2022 as compared to 5.52 per cent in FY2021. Acuité believes the profitability margin of the company will be sustained at healthy levels over the medium term on account of availability of adequate price escalation clause with the counter party.

Comfortable financial risk profile

The financial risk profile of the company is marked by moderate net worth, low gearing and healthy debt protection metrics. The net worth of the company stood moderate at Rs.33.23 crore in FY 2022 as compared to Rs. 28.86 crore in FY2021. The gearing of the company stood low at 0.37 times as on March 31, 2022 when compared to 0.43 times as on March 31, 2021. Interest coverage ratio (ICR) of the company stood strong at 5.17 times in FY2022 as against 5.54 times in FY2021. The debt service coverage ratio (DSCR) of the company stood healthy at 3.00 times in FY2022 as compared to 4.13 times in the previous year. The net cash accruals to total debt (NCA/TD) stood at 0.42 times in FY2022 as compared to 0.44 times in FY2021. Going forward, Acuité believes the financial risk profile of the company will improve on account of increase in net cash accruals and no major debt funded capex plan over the near term.

Weaknesses

Declining trend of revenue

The revenue of the company has continuously declined and stood moderate at Rs.78.15 crore in FY2022 as compared to Rs.87.66 crore in the previous year. This decrease in revenue is on account of decrease in project execution during the period. The company has earned Rs.55.76 crore till December in current fiscal (Prov.). Acuité believes the revenue of the company will increase going forward based on the unexecuted order book in hand of Rs.354.89 crore as on 31st December 2022.

Working capital intensive nature of operation

The working capital management of the company is marked by high gross current asset (GCA) days of 277 days as on 31st March 2022 as compared to 218 days in the previous year. This high GCA day is mainly on account of the high other current assets, which mainly consisting of retention money, security deposit, balance with govt. authorities and among others as on 31st March 2022. The debtor days stood comfortable at 40 days as on 31st March 2022 as compared to 14 days in the previous year. Moreover, the inventory days of the company has improved and stood comfortable at 13 days during 31st March 2022 and 34 days on 31st March 2021 respectively. Acuité believes that the ability of the company to manage its working capital operations efficiently will remain a key rating sensitivity.

Rating Sensitivities

- Scaling up of operations while maintaining their profitability margin

- Timely execution of orders and receipt from customers
- Working capital management

Material covenants

None

Liquidity Position

Adequate

The company has adequate liquidity position marked by comfortable net cash accruals of Rs.5.09 crore as against Rs.0.64 crore of term debt obligations in FY2022. The cash accruals of the company are estimated to remain in the range of around Rs. 5.48 crore to Rs. 6.20 crore during 2023-24 as against of Rs.0.64 crore long term debt obligations during FY2023 and Rs.0.50 crore of long-term debt obligations during FY2024 respectively. The current ratio of the company stood healthy at 1.96 times in FY2022 (Prov.). The bank limit of the company has been ~37 percent utilized during the last six months ended in January 2023. The Gross Current Asset (GCA) days of the company stood high at 277 days as on 31st March 2022. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of healthy cash accruals against the long debt repayments over the medium term.

Outlook: Stable

Acuité believes the company's outlook will remain 'stable' over the medium term on account of its experienced management and healthy order book position. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenue and net cash accruals while sustaining their profit margins. Conversely, the outlook may be revised to 'Negative' in case of lower-than-expected growth in revenue and profitability, stretch in receivables or deterioration in the financial risk profile.

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	78.15	87.66
PAT	Rs. Cr.	4.37	4.84
PAT Margin	(%)	5.60	5.52
Total Debt/Tangible Net Worth	Times	0.37	0.43
PBDIT/Interest	Times	5.17	5.54

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>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.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

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general

understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
29 Dec 2021	Bank Guarantee	Short Term	18.00	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	3.00	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	7.00	ACUITE BBB- Stable (Reaffirmed)
	Bank Guarantee	Short Term	16.25	ACUITE A3 (Reaffirmed)
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	Cash Credit	Long Term	7.00	ACUITE BBB- Stable (Upgraded from ACUITE BB+ Stable)
	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+)

Annexure - Details of instruments rated

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

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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