



**Press Release**  
**Chandra Nirman Private Limited**  
**April 17, 2024**  
**Rating Assigned and Reaffirmed**

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	5.00	ACUITE BBB-   Stable   Assigned	-
Bank Loan Ratings	10.00	ACUITE BBB-   Stable   Reaffirmed	-
Bank Loan Ratings	16.00	-	ACUITE A3   Assigned
Bank Loan Ratings	34.25	-	ACUITE A3   Reaffirmed
<b>Total Outstanding Quantum (Rs. Cr)</b>	65.25	-	-

**Rating Rationale**

Acuite has reaffirmed the long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on Rs. 10.00 Cr. bank facility and short-term rating of '**ACUITE A3**' (read as **ACUITE A Three**) on Rs.34.25 Cr. of bank facilities of Chandra Nirman Private Limited (CNPL). Further Acuite has assigned the long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) on Rs. 5.00 Cr. bank facility and short-term rating of '**ACUITE A3**' (read as **ACUITE A Three**) on Rs.16.00 Cr. of bank facilities of Chandra Nirman Private Limited (CNPL). The outlook is '**Stable**'.

**Rationale for Rating**

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 decline in profitability margin.

**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.

**Unsupported Rating**

Not Applicable

**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.

### **Improvement in sales with moderation in profitability margin**

The company has registered a marginal growth of 4.18% in its revenue and stood at Rs. 81.42 Cr. in FY23 as compared to Rs. 78.15 Cr. in FY22 however, it still remained lower than the revenue of FY21 i.e. Rs. 87.66 Cr. The revenue of the company kept fluctuating in the past few years as it depends upon the order execution. With a healthy order book position of ~ Rs. 500 Cr. as on 31<sup>st</sup> December 2023 the company is expected to maintain the revenue growth in coming years. The profitability of the company has shown a dip in FY23 as evident from EBITDA and PAT margin, which stood at 8.71% and 5.41% as compared to 9.76% and 5.60% in FY22. The dip in revenue is a result of competition, as the company needs to bid at the lowest price in order to get the tenders and the market is bidding aggressively. The operating margin of the company is expected to remain in the range of 9-10% in the medium term.

### **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. 37.64 crore in FY 2023 as compared to Rs. 33.23 crore in FY2022. The gearing of the company stood low at 0.03 times as on March 31, 2023 when compared to 0.37 times as on March 31, 2022. Interest coverage ratio (ICR) of the company stood strong at 9.17 times in FY2023 as against 5.17 times in FY2022. The debt service coverage ratio (DSCR) of the company stood healthy at 4.11 times in FY2023 as compared to 3.00 times in the previous year. The net cash accruals to total debt (NCA/TD) improved and stood at 3.99 times in FY2023 as compared to 0.42 times in FY2022. 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 medium term.

### **Weaknesses**

#### **Working capital intensive nature of operation**

The working capital management of the company is marked by high gross current asset (GCA) days of 262 days as on 31<sup>st</sup> March 2023 as compared to 277 days in the previous year. This high GCA day is mainly on account of the high other current assets, which mainly consists of retention money, security deposit, balance with govt. authorities and others as on 31<sup>st</sup> March 2023. The debtor days improved and stood comfortable at 31 days as on 31<sup>st</sup> March 2023 as compared to 40 days in the previous year. Moreover, the inventory days of the company stood comfortable at 24 days during 31<sup>st</sup> March 2023 and 13 days on 31<sup>st</sup> March 2022 respectively. Acuité believes that the ability of the company to manage its working capital operations efficiently will remain a key rating sensitivity.

#### **Competitive and fragmented industry with tender based operations**

CNPL is engaged as an EPC contractor. The company faces intense competition from the presence of several mid to large sized players in the said industry. The risk becomes more pronounced as tendering is based on minimum amount of bidding on contracts and susceptibility to inherent cyclicalities in the road sector. However, in face of such competitive pressures, Acuité believes that CNPL is well positioned on account of strong orderbook.

### **Rating Sensitivities**

- Continuous and higher than expected increase in revenue and profitability position of the company
- Substantial improvement in liquidity position on account of better working capital management

- Improvement in financial risk profile of the company

### **Liquidity Position**

#### **Adequate**

The company has adequate liquidity position marked by comfortable net cash accruals of Rs. 5.22 crore as against Rs.0.64 crore of term debt obligations in FY2023. The cash accruals of the company are estimated to remain in the range of around Rs. 5.74 crore to Rs. 6.24 crore during 2024-25 as against current portion of long term debt ranging between Rs. 0.50 to Rs. 1.00 crore during the same period. The current ratio of the company stood healthy at 2.16 times in FY2023. The bank limit of the company has been ~34.20 percent utilized during the last six months ended in November 2023. The Gross Current Asset (GCA) days of the company stood high at 262 days as on 31<sup>st</sup> March 2023. 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.

#### **Other Factors affecting Rating**

None

## Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	81.42	78.15
PAT	Rs. Cr.	4.40	4.37
PAT Margin	(%)	5.41	5.60
Total Debt/Tangible Net Worth	Times	0.03	0.37
PBDIT/Interest	Times	9.17	5.17

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

Not Applicable

### Any other information

None

### Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.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, Acuite 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](http://www.acuite.in).

## Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
14 Mar 2023	Cash Credit	Long Term	7.00	ACUITE BBB-   Stable (Reaffirmed)
	Cash Credit	Long Term	3.00	ACUITE BBB-   Stable (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	18.00	ACUITE A3 (Reaffirmed)
	Bank Guarantee/Letter of Guarantee	Short Term	16.25	ACUITE A3 (Reaffirmed)
29 Dec 2021	Bank Guarantee/Letter of Guarantee	Short Term	16.25	ACUITE A3 (Reaffirmed)
	Bank Guarantee/Letter of 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)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
HDFC Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	16.25	ACUITE A3   Reaffirmed
Union Bank of India	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	18.00	ACUITE A3   Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	7.50	ACUITE A3   Assigned
HDFC Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	8.50	ACUITE A3   Assigned
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	3.00	ACUITE BBB-   Stable   Reaffirmed
Union Bank of India	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	7.00	ACUITE BBB-   Stable   Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Covid Emergency Line.	01 Dec 2020	Not avl. / Not appl.	01 Dec 2024	Simple	1.30	ACUITE BBB-   Stable   Assigned
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	3.70	ACUITE BBB-   Stable   Assigned

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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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