

Press Release

C B And Sons Constructions Private Limited

October 01, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 10.00 Cr.
Long Term Rating	ACUITE B / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B**' (**read as ACUITE B**) and short term rating of '**ACUITE A4**' (**read as ACUITE A four**) to the Rs. 10.00 crore bank facilities of C B And Sons Constructions Private Limited (CBSC). The outlook is '**Stable**'.

CBSC was established in 1992 as a proprietorship firm. Subsequently, the constitution has been changed to private limited in 2010. The company is engaged in construction of residential buildings and guest houses for government entities such as Public Works Department (PWD), Brihanmumbai Municipal Corporation (BMC), Mumbai Metropolitan Region Development Authority (MMRDA) and Maharashtra Housing and Development Authority (MHADA). CBSC is an A class contractor and is managed by Mr. Chandraiah B Kalal (Managing Director).

Analytical Approach

Acuité has considered standalone business and financial risk profile of CBSC to arrive at this rating.

Key Rating Drivers:

Strengths

- **Experienced management**

Established in 1992 by Mr. Chandraiah B Kalal (Managing Director), CBSC has a long track record of operations. The promoter of the company has around three decades of experience in executing infrastructure projects. The extensive experience of the promoter is also reflected through the moderate order book of Rs.129.96 crore from PWD, BMC, MMRDA and MHADA which is to be executed by FY2021.

- **Moderate financial risk profile**

CBSC has moderate financial risk profile marked by net worth of Rs.6.33 crore as on 31 March, 2018 (Provisional) as compared to Rs.5.68 crore as on 31 March, 2017. Gearing (debt to equity) stood at 0.23 times as on 31 March, 2018 (Provisional) as against 0.37 times as on 31 March, 2017. The total debt stood at Rs.1.47 crore comprises working capital borrowing of Rs.1.11 crore and unsecured loan from Directors of Rs.0.36 crore. Interest Coverage Ratio (ICR) had increased significantly to 19.94 times in FY2018 (Provisional) from 4.97 times in FY2017. Further, Total Outside Liability/Total Net Worth (TOL/TNW) stood at 2.28 times in FY2018 (Provisional) as against 2.83 times in FY2017.

Weaknesses

- **Working capital intensive operations**

CBSC has intensive working capital operations marked by Gross Current Assets (GCA) of 246 days for FY2018 (Provisional) as against 146 days for FY2017. Inventory days stood at 53 days for FY2018 (Provisional) as against 43 days for FY2017. Further, the company had debtors outstanding of 86 days for FY2018 (Provisional) as against 41 days for FY2017 and creditors outstanding of 143 days for FY2018 (Provisional) as against 82 days for FY2017.

• **Competitive and fragmented industry**

The company is engaged as civil contractor. The particular sector is marked by the presence of several mid to big size players. The company faces intense competition from other players in the sectors. Risk become more pronounced as tendering is based on minimum amount of bidding of contracts. However, this risk is mitigated to an extent as management has been operating in this industry for last three decades.

• **Tender based business**

Major business is bagged through open tenders. Hence, the revenue earned is directly dependent upon the quantum of contracts bagged and executed during the year. Risk become more pronounced as tendering is based on minimum amount of bidding of contracts. The company has to do tendering on competitive prices; this may affect the profitability of the firm. This has resulted in fluctuation of operating profit margins.

Outlook: Stable

Acuité believes that the outlook on HSAS will remain 'Stable' over the medium term on account of its promoter's experience in the infrastructure industry. The outlook may be revised to 'Positive' if the company registers higher than expected growth in revenue and profitability while maintaining a comfortable liquidity position and working capital operations. Conversely, the outlook may be revised to 'Negative' in case of significant decline in cash accruals or deterioration of its financial risk profile due to higher than expected working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	26.59	42.10	33.79
EBITDA	Rs. Cr.	0.86	1.84	2.43
PAT	Rs. Cr.	0.65	0.99	1.16
EBITDA Margin	(%)	3.23	4.36	7.19
PAT Margin	(%)	2.44	2.34	3.44
ROCE	(%)	12.94	25.00	29.41
Total Debt/Tangible Net Worth	Times	0.23	0.37	0.64
PBDIT/Interest	Times	19.94	4.97	5.59
Total Debt/PBDIT	Times	1.25	1.03	1.20
Gross Current Assets (Days)	Days	246	146	204

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

CRISIL, vide its press release dated June 7, 2017 had denoted the rating of C B & Sons Construction Private Limited as 'CRISIL B; ISSUER NOT COOPERATING' on account of lack of adequate information required for monitoring of ratings. The earlier rating, however, stood at 'CRISIL BB-/Stable' vide its press release dated March 23, 2017.

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)

Not Applicable

***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	1.00	ACUITE B / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	9.00	ACUITE A4

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About Acuité Ratings & Research:

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