

Press Release

C H M Infrastructure

November 12, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 9.00 Cr.
Long Term Rating	ACUITE B- / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuite has assigned long-term rating of '**ACUITE B-**' (read as **ACUITE B minus**) and short term rating of '**ACUITE A4**' (read as **ACUITE A four**) on the Rs. 9.00 crore bank facilities of C H M Infrastructure. The outlook is '**Stable**'.

CHM Infrastructure (CHMI) was established as a proprietorship firm by Mr. Chetan Purohit in FY2014-15. The firm does civil contracting work for Municipal Corporation of Greater Mumbai (MCGM) such as road and building repair, river cleaning among others.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of CHM Infrastructure to arrive at the rating.

Key Rating Drivers

Strengths

- **Improving scale of operations backed by healthy order book position**

CHMI has recorded moderate improvement in revenue to Rs.7.03 crore in FY2018 (Provisional) from Rs.4.95 crore in FY2017. The firm has recorded revenue of ~Rs.2.00 crore as on 30 September, 2018. Further, CHMI has healthy order book position marked by current unexecuted orders in hand of Rs.8.50 crore as on 30 September, 2018 which gives revenue visibility in the near to medium term.

Weaknesses

- **Below average financial risk profile**

CHMI has below average financial risk profile marked by low tangible net worth of Rs.0.62 crore as on 31 March, 2018 (Provisional) as against Rs.0.33 crore as on 31 March, 2017. The gearing (debt- equity) stood at 2.72 times as on 31 March, 2018 (Provisional) as against 2.07 times as on 31 March, 2017. The debt of Rs.1.68 crore consists of unsecured loans from the proprietor and relatives of Rs.0.69 crore and working capital borrowings of Rs.0.99 crore as on 31 March, 2018 (Provisional). Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood high at 7.84 times as on 31 March, 2018 (Provisional) as against 11.00 times as on 31 March, 2017. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.19 times as on 31 March, 2018 (Provisional) as against 0.23 times as on 31 March, 2017. Going forward, Acuite expects CHMI's financial risk profile to improve marginally in expectation of consistent growth and absence of major debt funded capex plans.

- **Highly competitive industry and heavy dependence on government orders**

The civil construction industry is marked by the presence of several small, medium and big-sized players. CHMI faces intense competition from these players. The risk is increased as CHMI's projects are all tender based, which further impacts its pricing ability. Further, the project portfolio of CHMI is concentrated in the Municipal Corporation of Greater Mumbai (MCGM). Any change in geo-political environment would affect its projects at large. Furthermore, any changes in current policies of the state government with regard to change in budget allocation would impact CHMI's revenue considerably. However, the proprietor has been dealing with government bodies for a long time and

hence, enjoys long term relations.

Outlook: Stable

Acuite believes that CHM will maintain a 'Stable' outlook over the medium term owing to its established relations with MCGM and steady flow of orders. The outlook may be revised to 'Positive' if the firm generates substantial revenues and improves its operating margins while maintaining its financial risk profile. Conversely, the outlook may be revised to 'Negative' if the firm's working capital cycle further elongates or if the financial risk profile deteriorates.

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	7.03	4.95	3.65
EBITDA	Rs. Cr.	0.34	0.14	0.33
PAT	Rs. Cr.	0.32	0.15	0.32
EBITDA Margin	(%)	4.77	2.80	9.16
PAT Margin	(%)	4.49	2.98	8.73
ROCE	(%)	19.56	9.10	28.48
Total Debt/Tangible Net Worth	Times	2.72	2.07	5.16
PBDIT/Interest	Times	32.65	22.59	17.53
Total Debt/PBDIT	Times	5.03	4.24	5.79
Gross Current Assets (Days)	Days	281	291	368

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

Not Applicable

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	2.00	ACUITE B- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	7.00	ACUITE A4

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About Acuité Ratings & Research:

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