

Press Release
C S Infraconstruction Limited (CSIL)

January 15, 2020



**Rating Upgraded and
reaffirmed**

Total Bank Facilities Rated*	Rs.155.00 Cr.
Long Term Rating	ACUITE B+/Stable (Upgraded from ACUITE C)
Short Term Rating	ACUITE A4 (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has Upgraded the long-term rating of '**ACUITE B+**' (**read as ACUITE B plus**) from '**ACUITE C**' (**ACUITE C**) and reaffirmed the short term rating of '**ACUITE A4**' (**read as ACUITE A four**) on the Rs. 155.00 crore bank facilities of C. S. INFRACONSTRUCTION LIMITED. The outlook is 'Stable'.

Reason for upgrade

The rating upgrade is on account of regularization of account and timely repayment of term loan principal and servicing of interest. The sales and profitability of the company have also improved. The operating income grew by 209 percent in FY 2019 over FY2018. Operating Income for FY2019 stood at Rs.640.52 crore as against Rs.207.13 crore for the FY2018. Further the EBITDA Margins stood at 14.76 percent for FY2019 as against 12.89 percent in the previous year. Healthy financial risk profile as the net worth of the company increased to Rs.214.82 crore as on 31 March 2019 as against Rs.167.03 crore as on 31 March 2018. The gearing level (debt-equity) have improved and stood at 0.03 times as on 31 March 2019 as against 0.38 times as on 31 March 2018.

C S Infraconstruction Limited (CSIL) was established as a Partnership firm in 2002 under the name 'Chhatrashakti Construction Company'. Subsequently, its constitution changed to closely held public limited in 2009. The company is registered as 'Class 1' contractor is engaged into civil construction works. CSIL mainly does the construction work for Public Works Department (PWD).

Analytical Approach

Acuité has considered the standalone business and financial risk profile of CSIL to arrive at the rating.

Key Rating Drivers

Strengths

• Experienced management

The Promoters, Ms. Pushpa Singh, Mr. Ramesh Singh and Mr. Ghurahoo Singh have experience of over a decade in civil construction industry. Ms. Pushpa Singh have an experience of 16 years in aforementioned industry while Mr. Mr. Ramesh Singh and Mr. Ghurahoo Singh both share an experience of 11 years in the same industry.

Acuité believes that CSIL will continue to benefit from its promoter's extensive experience in the industry.

• Improvement in operating income and margins backed by healthy order book position

The revenues improved to Rs. 640.52 crore in FY2019 as against Rs.207.13 crore in FY2018 registered a growth of 209.83 percent YoY. The company has registered revenue of Rs.173.11 crores as on October 2019. Further the company has shown improvement in operating margins which has improved to 14.76 percent in FY2019 as against 12.89 percent in FY2018.

CSIL has healthy order book position marked by current orders in hand of Rs.895 crore approx. as on October 2019 which gives the revenue visibility to the company in the near to medium term. CSIL has order in hand of Rs.895.39 crore as on 31st October 2019 which provides near to medium term's revenue visibility. Company have also bided for projects amounted to Rs.551.94 crore whose conversion will be critical in the near to medium term.

Being a civil contractor, the revenue of CSIL depends on the number of successful bids and the tenders being released in the financial year.

- **Comfortable financial risk profile**

The financial risk profile is comfortable marked by comfortable net worth and comfortable debt protection measures and low gearing. The net worth is high at Rs.214.82 crore as on 31 March, 2019 as against Rs.167.03 crore as on 31 March, 2018 due to healthy accretion to reserves. The gearing of the company has stood at 0.03 times as on 31 March, 2019 as against 0.38 times as on 31 March, 2018 due to reduction in long term debt. Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.17 times as on 31 March, 2019 as against 1.49 times as on 31 March, 2018. The high revenue levels coupled with stable operating margins have resulted in comfortable debt protection measures. The Interest Coverage Ratio (ICR) stood at 10.04 times as on 31 March, 2019 as against 2.68 times as on 31 March, 2018. Debt Service Coverage Ratio (DSCR) stood at 2.16 times in FY2019 as against 0.81 times in FY2018. The company have healthy margins marked by the operating margin stood at 14.76 per cent as on 31 March, 2019 as against 12.89 per cent as on 31 March, 2018. The increase in Profit margin from (1.58) per cent in FY2018 to 7.46 per cent in FY2019 is mainly due to increase in rise in operating income during the year. Acuité believes that the financial risk profile of CSIL will continue to remain comfortable over the medium term on account of its improving scale of operations in absence of major debt funded capex plan over medium term.

Weaknesses

- **Working capital intensive nature of operation**

Intensive working capital nature of operation is marked by gross current assets (GCA) at 213 days in FY2019 as against 575 days in FY2018 this is due to high other current assets which majorly consist of advances taxes to various government authorities and deposits with government department. Inventory days stood at 6 days in FY2019 against 153 days in FY2018. Intensive working capital operations has led to full utilization of its bank limits over last six months through October 2019. The current ratio of CSIL is average at about 3.15 times as of March 31, 2019.

Acuité believes that the working capital management is expected to remain intensive on account of high other current assets coupled with full utilization of its bank limits.

- **Highly Competitive industry and dependence on government for revenue booking**

The company is engaged as a civil contractor. This 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 becomes more pronounced as tendering is based on minimum amount of bidding of contracts. However, this risk is mitigated to an extent as the company has been operating in this environment for last 10 years. Further, project portfolio of CSIL is concentrated in the state of Uttar Pradesh. Any change in geo-political environment would affect their projects at large. Furthermore, any changes in current policies of the state government with regard to change in budget allocation would impact CSIL's revenue considerably. However, the company has been dealing with government bodies for a long time and hence enjoys long term relations.

Rating Sensitivity Factor

- Significant Improvement in revenue and operating margins.

Material Covenants

None

Liquidity position: Adequate

The company has adequate liquidity profile marked by moderate net cash accruals as against no significant debt obligations. The company generated cash accruals of Rs.66.66 crore for FY2019 against the CPLTD of Rs.5.95 crore for the same period. The cash accruals of the company are estimated to remain around Rs.52.57 crore to Rs.58.84 crore during FY2020-22 against CPLTD of Rs.0.17 crore for FY2020. CSIL's working capital operations are intensive marked by gross current asset (GCA) of 213 days for FY2019. Company maintains unencumbered cash and bank balances of Rs.72.38 crore as on 31 March 2019 out of that Rs.49.92 crore is credit balance of cash credit account. The current ratio stands at 3.15 times as on 31 March 2019.

Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of healthy net cash accruals against no significant debt repayments obligation over the medium

term.

Outlook: Stable

Acuité believes that CSIL will maintain a 'Stable' outlook in the medium term on account of experienced management, long track record of operation and significant improvement in operating income. The outlook may be revised to 'Positive' if the company registers higher than expected growth in revenues and net cash accruals while maintaining healthy debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case the company registers lower than expected growth in revenues and profitability or if the financial risk profile deteriorates due to higher than expected working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY19(Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	640.52	207.13
PAT	Rs. Cr.	47.79	(3.26)
PAT Margin	(%)	7.46	(1.58)
Total Debt/Tangible Net Worth	Times	0.03	0.38
PBDIT/Interest	Times	10.04	2.68

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 Entity - <https://www.acuite.in/view-rating-criteria-51.htm>
- 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/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
December 05, 2018	Cash Credit	Long Term	30.00	ACUITE C (Assigned)
	Bank Guarantee	Short Term	125.00	ACUITE A4 (Assigned)

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE B+/Stable (Upgraded)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	125.00	ACUITE A4 (Reaffirmed)

Contacts

Analytical	Rating Desk
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About Acuité Ratings & Research:

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