

Press Release

C S Infraconstruction Limited

June 08, 2021

Rating Upgraded



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

* Refer Annexure for details

Rating Rationale

Acuite has Upgraded the long-term rating to '**ACUITE BB+**' (read as **ACUITE double B plus**) from '**ACUITE B+**' (read as **ACUITE B plus**) and the short term rating to '**ACUITE A4+**' (read as **ACUITE A four plus**) from '**ACUITE A4**' (read as **ACUITE A four**) on the Rs. 155.00 Crore bank facilities of C S Infraconstruction Limited. The outlook is '**Stable**'.

The rating upgrade is on account of healthy financial risk profile, regularization of account and timely repayment of term loan principal and servicing of interest. Operating Income for FY2020 stood at Rs.356.35 crore. Further the EBITDA Margins stood at 14.02 percent for FY2020 as against 14.76 percent in the previous year. Healthy financial risk profile as the net worth of the company increased to Rs.232.69 crore as on 31 March 2020 as against Rs.214.82 crore as on 31 March 2019. The gearing level (debt-equity) stood strong at 0.06 times as on 31 March 2020 as against 0.03 times in 31 March 2019. The interest coverage ratio (ICR) stood high at 5.29 times in FY2020 as against 10.04 times in FY2019. NCA/TD (Net Cash Accruals to Total Debt) ratio stood high at 2.34 times in FY2020 as against 9.62 times in FY2019. DSCR stood strong at 2.73 times in FY2020 as against 2.16 times in FY2019. Debt-EBITDA stood at 0.27 times in FY2020 as against 0.07 times in FY2019.

About the Company

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

Acuite 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. Ramesh Singh and Mr. Ghurahoo Singh both share an experience of 11 years in the same industry.

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

- Healthy financial risk profile**

Company's financial risk profile remained healthy marked by high net worth, low gearing and strong debt protection metrics. The net worth of the company stood at Rs.232.69 Crore as on 31 March 2020 as against Rs.214.82 Crore as on 31 March 2019. The gearing level (debt-equity) stood at 0.06 times as on 31 March 2020 as against 0.03 times in 31 March 2019. The total debt of Rs.14.45 Crore as on 31 March 2020 consists of secured loan of Rs.3.30 Crore, unsecured loan of Rs.0.08 Crore and working capital borrowings of Rs.11.07

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Weaknesses

• Intensive working capital nature of operation

The working capital management of the company is intensive in FY2020 marked by Gross Current Assets (GCA) of 307 days in FY2020 as against 176 days in FY2019. However, the inventory and debtor levels stood low at 31 days and 13 days in FY2020 as against 6 days and 11 days in FY2019, respectively. High GCA days is mainly due to high other current asset which consist of commercial tax paid, GST recoverable, deposit with govt. authorities and advances to suppliers. The creditor days stood at 196 days in FY2020 as against 74 days in FY2019. As a result, the bank limits stood utilization stood high at 97% in the last six months ending February, 2021. Acuite believes that the working capital requirements will continue to remain intensive over the medium term on account of high other current asset.

• 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

- Strong financial risk profile with high net worth.
- Decline in revenue in FY2021 (Provisional) to ~Rs.275.00 Crore from Rs.356.35 Crore in FY2020 due to impact of covid-19 pandemic and nationwide lockdown.

Material Covenant

None

Liquidity position: Adequate

The Company has adequate liquidity marked by sufficient net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.33.77 Crore in FY2020 as against CPLTD of Rs.5.95 Crore for the same period. The cash accruals of the company are estimated to remain in the range of around Rs.27.00 Crore to Rs.42.00 Crore during FY2021-23 against CPLTD not more than Rs.3.00 Crore each year for the same period. Company's working capital operations are moderately intensive marked by gross current asset (GCA) days of 307 days in FY2020. As a result, the bank limit utilization stood at 97% in the last six months ending February, 2021. Company maintains unencumbered cash and bank balances of Rs.65.31 Crore as on 31 March 2020. The current ratio stands at 1.61 times as on 31 March 2020.

Outlook: Stable

Acuite 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	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	356.35	640.52
PAT	Rs. Cr.	17.86	47.79
PAT Margin	(%)	5.01	7.46

Total Debt/Tangible Net Worth	Times	0.06	0.03
PBDIT/Interest	Times	5.29	10.04

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

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Infrastructure Entities- <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/view-rating-criteria-55.htm>

Rating History (Up to last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr)	Ratings/Outlook
15-January-2020	Cash Credit	Long term	30.00	ACUITE B+/Stable (Upgraded)
	Bank Guarantee	Short Term	125.00	ACUITE A4 (Reaffirmed)
05-December-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. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE BB+/Stable (Upgraded)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	125.00	ACUITE A4+ (Upgraded)

Contacts

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About Acuité Ratings & Research:

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