

Press Release

C S Infraconstruction Limited

October 07, 2021

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 158.00 Cr. (Enhanced from Rs.155.00 Cr.)
Long Term Rating	ACUITE BB+/Stable (Reaffirmed)
Short Term Rating	ACUITE A4+ (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed the long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) and the short term rating to '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs. 158.00 Crore bank facilities of C S Infraconstruction Limited. The outlook is '**Stable**'.

About the Company

Uttar Pradesh based 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).

Khakhi Baba Construction Company is a proprietorship firm whose proprietor is one of the director in C S Infraconstruction limited i.e. Mr. Ramesh Singh. The firm is engaged into mining and extraction of boulders and the same is sold to CSIL exclusively.

Analytical Approach

Acuite has considered the consolidated business and financial risk profiles of C S Infraconstruction Limited (CSIL) and Khakhi Baba Construction Company (KBCC). The consolidation is mainly on account of strong operational and financial synergies and common management. Extent of Consolidation: Full.

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.239.77 Crore as on 31 March 2021 (Prov.) as against Rs.235.87 Crore as on 31 March 2020. The gearing level (debt-equity) stood at 0.10 times as on 31 March 2021 (Prov.) as against 0.06 times in 31 March 2020. The total debt of Rs.23.22 Crore as on 31 March 2021 (Prov.) consists of secured loan of Rs.1.16 Crore, Unsecured loan of Rs.2.25 Crore and working capital borrowings of Rs.19.80 Crore. The interest coverage ratio (ICR) stood high at 3.55 times in FY2021 (Prov.) as against 5.35 times in FY2020. NCA/TD (Net Cash Accruals to Total Debt) ratio stood low at 0.74 times in FY2021 (Prov.) as against 2.37 times in FY2020. DSCR stood strong at 2.41 times in FY2021 (Prov.) as against 2.77 times

in FY2020. Debt-EBITDA stood at 0.88 times in FY2021 (Prov.) as against 0.27 times in FY2020.

Weaknesses

• Intensive working capital nature of operation

The working capital management of the company is intensive in FY2021 (Prov.) marked by Gross Current Assets (GCA) of 392 days in FY2021 (Prov.) as against 309 days in FY2020. However, the inventory and debtor levels stood low at 45 days and 12 days in FY2021 (Prov.) as against 31 days and 13 days in FY2020, 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 178 days in FY2021 (Prov.) as against 196 days in FY2020. As a result, the bank limits stood utilization stood high at 93% in the last six months ending July, 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.272.00 Crore from Rs.357.05 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.17.11 Crore in FY2021 (Prov.) as against CPLTD of Rs.2.72 Crore for the same period. The cash accruals of the company are estimated to remain in the range of around Rs.30 Crore to Rs.47 Crore during FY2022-24 against CPLTD not more than Rs.6.50 Crore each year for the same period. Company's working capital operations are intensive marked by gross current asset (GCA) days of 392 days in FY2020. As a result, the bank limit utilization stood at 93% in the last six months ending July, 2021. Company maintains unencumbered cash and bank balances of Rs.32.90 Crore as on 31 March 2021. The current ratio stands at 1.77 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	FY21 (Provisional)	FY19 (Actual)
Operating Income	Rs. Cr.	272.18	357.05
PAT	Rs. Cr.	4.13	18.35
PAT Margin	(%)	1.52	5.14

Total Debt/Tangible Net Worth	Times	0.10	0.06
PBDIT/Interest	Times	3.55	5.35

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
08-June-2021	Cash Credit	Long term	30.00	ACUITE BB+/Stable (Upgraded)
	Bank Guarantee	Short Term	125.00	ACUITE A4+/Stable (Upgraded)
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**

Lender's Name	Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Bank of Baroda	Cash Credit	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE BB+/Stable (Reaffirmed)
Not Applicable	Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	3.00	ACUITE BB+/Stable (Reaffirmed)
Bank of Baroda	Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	125.00	ACUITE A4+ (Reaffirmed)

Contacts

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About Acuité Ratings & Research:

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