# Press Release

**Ciscons Constructions Private Limited**

**D-U-N-S® Number: 87-379-9948**

February 11, 2019

**Rating Assigned**

| | |
|---|---|
| **Total Bank Facilities Rated*** | Rs. 25.00 Cr. |
| **Long Term Rating** | ACUITE BB / Outlook: Stable |
| **Short Term Rating** | ACUITE A4+ |

** Refer Annexure for details*

**Rating Rationale**

Acuité has assigned long-term rating of '**ACUITE BB**' **(read as ACUITE double B)** and short term rating of **'ACUITE A4+' (read as ACUITE A four plus)** to the Rs. 25.00 crore bank facilities of Ciscons Constructions Private Limited (CCPL). The outlook is **'Stable'**.

CCPL is a Hyderabad based company incorporated in 2013. It is engaged in execution of civil works. The company does works such as construction of buildings, foundation works, plumbing works and back filling works, among others. The company executes work mainly at thermal power plants.

### Analytical Approach

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

## Key Rating Drivers

### Strengths

- **Experienced management**

The company is promoted by Mr. Narra Rama Krishna and Ms. Harshitha. The promoters are in the civil construction industry for more than two decades through other entities. Over the years, the promoters have established healthy relationships with key principal and raw material suppliers. The same has reflected in improvement of revenues from Rs.6.83 crore in FY2016 to Rs.9.17 crore in FY2017 and to Rs.38.16 crore in FY2018. This is due to increase in work orders from the clientele. From April 2018 to December 2018, the company reported revenues of Rs.38.05 crore. The company has unexecuted orders of Rs.96.11 crore to be executed in next 12-18 months period, which provides moderate revenue visibility. The company has orders mainly from Power Mech Projects Limited, FL Smith Private Limited and DNC Infrastructure Limited, among others. Acuité believes that diversified revenue profile across the geographies of Telangana, Chattisgarh and Madhya Pradesh is expected to support improvement of its business risk profile over the medium term.

### Weaknesses

- **Below-average financial risk profile**

Financial risk profile is marked by high total outside liabilities to total net worth (TOL/TNW), moderately high gearing though supported by comfortable debt protection metrics. TOL/TNW is high at 6.34 times as on 31 March, 2018 as against 2.23 times as on 31 March, 2017; deterioration due to mobilisation advances from the customers. The gearing (debt-to-equity) is moderately high at 2.23 times as on 31 March, 2018 as against 1.56 times as on 31 March, 2017. Deterioration in gearing is due to debt funded capital expenditure in FY2018. Net worth is modest at Rs.4.25 crore as on 31 March, 2018 as against Rs. 3.39 crore as on 31 March, 2017. Debt protection metrics of interest coverage ratio and net cash accruals to total debt (NCA/TD) are comfortable at 4.04 times and 0.18 times in FY2018. The company reported net cash accruals (NCA) of Rs.1.71 crore in FY2018. NCAs is expected to be in the range of Rs.3-4 crore against the repayment obligations of about Rs.1.00 crore. Acuité believes that with moderate accruals and routine capex of about Rs.0.50 crore, the financial risk profile is expected to improve marginally over the medium term.

- **Modest scale of operations and volatile profitability**
  Though the revenues of the company improved from Rs.9.17 crore in FY2017 to Rs.38.16 crore in FY2018, it remained modest within the civil construction industry. It has reported revenues of about Rs.38.05 crore for 9MFY2019, and revenues are expected to be in the range of Rs.50-65 crore over the medium term. It has an unexecuted order book of about Rs.98 crore as on December 2018 and participated in new works of about Rs.70.00 crore in January 2019, which provides moderate revenue visibility over the medium term. Operating margins of CCPL is so volatile that they improved to 12.31 percent in FY2017 against 11.44 percent in FY2016; further, they declined sharply to 6.93 percent in FY2018. Volatility is partly attributed to the increase in raw material prices and other overheads which cannot be passed on. Ability of the company to increase the scale of operations while maintaining stable operating margins would be key rating sensitivity factors over the medium term.

- **Working capital intensive operations**
  CCPL's operations are working capital intensive marked by high gross current asset (GCA) of 234 days for FY 2018 as compared 271 days for FY 2017. This is mainly on account of high debtor cycle. Debtors stood at 213 days in FY2018 as against 160 days in FY2017. High GCA days led to utilisation of its bank lines at about 88 percent for six months through November 2018. To support its operations, the company is stretching its creditors partly which stood at 245 days as on March 31, 2018. Acuité believes that with improving scale of revenues, CCPL's operations continue to be working capital intensive over the medium term.

**Liquidity Position:**

Liquidity of CCPL is moderate marked by moderate cash accruals against its repayment obligations. CCPL has reported cash accruals of Rs.1.71 crore in FY2018. Its expected cash accruals are in the range of Rs.3-4 crore over the medium term against which its repayment obligations are about Rs.1.11 crore. It has fixed deposit of about Rs.3.18 crore as on March 31, 2018 which is encumbered as margin money for bank guarantees. Working capital intensive operations lead to high utilisation of its bank lines at about 88 percent for six months through November 2018. Acuité believes that with moderate accruals to obligations, incremental working capital requirements and partly finance its routine capex, the liquidity remains at moderate levels over the medium term.

**Outlook: Stable**

Acuité believes that the outlook of the CCPL will remain 'Stable' over the medium term on account of experienced management and moderate order book position. The outlook may be revised to 'Positive' if the company is able to increase the scale of operations while maintaining stable profitability. Conversely, the outlook may be revised to 'Negative' in case of further stretch in its working capital management and larger than expected capital expenditure leading to deterioration of its financial risk profile and liquidity.

**About the Rated Entity - Key Financials**

| | Unit | FY18 (Actual) | FY17 (Actual) | FY16 (Actual) |
|---|---|---|---|---|
| Operating Income | Rs. Cr. | 38.16 | 9.17 | 6.83 |
| EBITDA | Rs. Cr. | 2.64 | 1.13 | 0.78 |
| PAT | Rs. Cr. | 0.86 | 0.22 | 0.18 |
| EBITDA Margin | (%) | 6.93 | 12.31 | 11.44 |
| PAT Margin | (%) | 2.24 | 2.41 | 2.59 |
| ROCE | (%) | 16.56 | 8.40 | 14.43 |
| Total Debt/Tangible Net Worth | Times | 2.23 | 1.56 | 1.63 |
| PBDIT/Interest | Times | 4.04 | 3.20 | 2.44 |
| Total Debt/PBDIT | Times | 3.51 | 3.89 | 6.54 |
| Gross Current Assets (Days) | Days | 234 | 271 | 311 |

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

None

## Any other information
None

## Applicable Criteria

- Default Recognition - https://www.acuite.in/criteria-default.htm
- Financial Ratios And Adjustments - https://www.acuite.in/view-rating-criteria-20.htm
- Infrastructure Entities - https://www.acuite.in/view-rating-criteria-14.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 | 3.00 | ACUITE BB / Stable |
| Bank guarantee/Letter of Guarantee | Not Applicable | Not Applicable | Not Applicable | 12.00 | ACUITE A4+ |
| Proposed | Not Applicable | Not Applicable | Not Applicable | 10.00 | ACUITE A4+ |

## Contacts


| Analytical | Rating Desk |
|---|---|
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**About Acuité Ratings & Research:**
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