

## Press Release

Ciscons Constructions Private Limited

May 05, 2023



### Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	3.00	ACUITE BB   Stable   Reaffirmed	-
Bank Loan Ratings	3.00	-	ACUITE A4+   Assigned
Bank Loan Ratings	22.00	-	ACUITE A4+   Reaffirmed
<b>Total Outstanding Quantum (Rs. Cr)</b>	28.00	-	-

### Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE BB**' (read as **ACUITE double B**) and short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.25 Cr. bank facilities of Ciscons Constructions Private Limited (CCPL). The outlook is '**Stable**'. Also, Acuite has assigned its short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs. 3 Cr. bank facilities of Ciscons Constructions Private Limited (CCPL).

#### Rationale for rating

The rating takes into account long track record of operations and experience of management in executing civil construction works for thermal power plants and other civil works in relation to installation of heavy machinery in power plants. Further, rating also factors in moderate financial risk profile along with steady growth in turnover backed by healthy order book which stood at Rs.146.76 Cr as on December 31<sup>st</sup> 2022 and order worth Rs.101.76 Cr is under discussion stage, providing revenue visibility over the medium term. However, above mentioned strengths are partially offset by moderate scale of operations and high dependency on one customer leading to customer concentration risk. Further, the working capital operations of the company are also intensive.

#### About the Company

Ciscon Constructions Private Limited is a Hyderabad based company incorporated in the year 2013. The company is promoted by Mr. Narra Rama Krishna and Ms. Nimmagadda Harshitha. It is engaged in execution of civil works. The company does works such as construction of buildings, foundation works, plumbing works, and back fillings works among others. The company is primarily engaged in executing works at thermal power plants.

#### Analytical Approach

Acuite has considered the standalone business and financial risk profile of CCPL to arrive at

the rating.

## **Key Rating Drivers**

### **Strengths**

#### **Experienced management; and established track record in civil works relating to thermal power plants**

CCPL has been engaged in execution of civil works for nearly a decade. The company is currently managed by Mr. Narra Sakaar, Ms. Nimmagadda Harshitha and others, are supported by well-qualified and experienced team of professionals to execute the projects. The company operates in the states of Andhra Pradesh, Telangana, and Tamil Nadu; providing geographic diversification in its work execution. CCPL has adequate experience in executing projects like Yadadri thermal power plant and Bhadradi thermal power plant in Telangana and Tuticorin power plant in Tamil Nadu among others. However, over 95 percent of the order book caters to BHEL leading to significant customer concentration risk. Over 90 percent of revenue is through primary contracts and balance revenue is from sub-contracting activities. Currently company is engaged in execution of structuring works for thermal power plants in Telangana, Andhra Pradesh and Tamil Nadu.

Acuite believes that the promoter's extensive industry experience backed by established track record in thermal power plant related civil works will aid CCPL's business risk profile over the medium term.

#### **Growth in turnover backed by healthy order book position**

CCPL's operating revenue has increased to Rs. 34.87 Cr in FY2022 from Rs.27.40 Cr in FY2021, further operating profits improved from Rs.2.12 Cr in FY2021 to Rs.2.37 Cr in FY2022 with decrease in operating margin from 7.73 percent in FY2021 to 6.80 percent in FY2022. Further, the revenue stood at Rs 45.23 Cr in FY 2023 (Prov.). Though there is an increase in scale of operations it still is moderate. However, the order book position of the company stood healthy at Rs.146.76 Cr as on December 2022 and another order of Rs101.33 Cr is at final stage of allotment providing adequate revenue visibility over near to medium term.

Acuite believes that revenue of the company may scale up in near to medium term backed by healthy order book.

#### **Moderate financial risk profile**

CCPL's financial risk profile is moderate marked by moderate capital structure and moderate coverage indicators. CCPL's net worth stood at Rs.6.21 Cr as on March 31st 2022 as against Rs. 6.07 Cr as on March 31st 2021. Net worth is expected to remain moderate on account of stable accretion to reserves. The debt protection metrics of interest coverage ratio and debt service coverage ratio stood at 3.21 times and 2.25 times respectively as on March 31st 2022 as against 2.58 and 1.54 times respectively as on March 31st 2021. The net cash accrual to debt ratio stood at 0.18 times as on March 31st 2022 as against 0.19 times as on March 31st 2021. The total outside liabilities to tangible net worth stood at 3.99 times as on March 31st 2022 as against 3.32 times as on March 31st 2021.

Acuite believes that the financial risk profile is likely to remain moderate over medium term in absence of any debt funded capex.

### **Weaknesses**

#### **Working capital intensive operations**

CCPL's working capital operations are intensive as reflected by Gross current asset (GCA) days of 287 days for FY2022 as against 306 days in FY2021, improvement in GCA days is due to reduction in inventory days to 26 days in FY2022 from 45 days in FY2021. The higher GCA days led to moderate utilization of its working capital limits at about 86.80 percent for fund based and utilisation of 82.28 percent for non-fund based for the past 12 months ended December 2022. Creditor days decreased from 65 days in FY2021 to 57 days in FY2022, Debtor days remained stable at 95 days in FY2022 and 94 days in FY2021. The GCA days are majorly constituted by the other current assets which is a retention money to be received.

Acuite believes that working capital operations may continue to remain intensive in medium term considering the nature of business.

### **Customer concentration risk**

CCPL being a specialised contractor in execution of civil works related to thermal power plants has led to increased dependence for contractual work from BHEL, power mech projects and few other players. The same has led to customer concentration risk as 95 percent of contracts are from single contractee ~BHEL.

Acuite believes that CCPL's revenues and margins are susceptible to the customer concentration risk.

### **Rating Sensitivities**

- Any further deterioration in working capital management leading to deterioration in financials risk profile and liquidity
- Lower-than-expected revenue or profitability leading to lower net cash accruals

### **Material covenants**

None

### **Liquidity Position: Adequate**

CCPL's liquidity is adequate marked by comfortable cash accruals to repay its debt obligations. The company has generated net cash accruals of Rs.1.1 Cr in FY2022, its accruals are expected to be in the range of Rs 1.96 Cr to 2.47 Cr in FY2023-25 against its repayment obligations of Rs.0.77 Cr -0.87 Cr during the same period. The current ratio of the company stood at 1.29 times and cash and bank balances stood at Rs.1.93 Cr as on March 31, 2022. Company's GCA days are around 287 days this makes firm dependent on bank borrowing for working capital requirement. Average bank limit utilization stood at 86.80 percent over the last 12 months ending December 2022.

Acuite believes that the liquidity of the company is likely to remain adequate over the medium term on account of healthy cash accruals against its repayment obligations.

### **Outlook: Stable**

Acuite believes that CCPL will maintain a 'Stable' outlook over the medium term backed by its experienced management and healthy revenue visibility. The outlook may be revised to 'Positive' in case of higher-than-expected growth in its revenues while maintaining its profitability margins and improving its working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the company's revenues or profit margins, or in case of deterioration in the company's financial risk profile or delays in the completion of the project or further elongation in its working capital cycle.

### **Other Factors affecting Rating**

None

### **Key Financials**

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	34.87	27.40
PAT	Rs. Cr.	0.14	0.39
PAT Margin	(%)	0.40	1.41
Total Debt/Tangible Net Worth	Times	0.88	1.02
PBDIT/Interest	Times	3.21	2.58

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

Crisil vide its press release dated 19/08/2022 had rated the company to CRISIL B/Stable/A4;

INC.

### Any other information

None

### Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.htm>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on [www.acuite.in](http://www.acuite.in).

### Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
06 Dec 2022	Proposed Bank Facility	Short Term	2.00	ACUITE A4+ ( Issuer not co-operating*)
	Bank Guarantee	Short Term	20.00	ACUITE A4+ ( Issuer not co-operating*)
	Cash Credit	Long Term	3.00	ACUITE BB ( Issuer not co-operating*)
16 Sep 2021	Cash Credit	Long Term	3.00	ACUITE BB   Stable (Reaffirmed)
	Proposed Bank Facility	Short Term	2.00	ACUITE A4+ (Reaffirmed)
	Bank Guarantee	Short Term	20.00	ACUITE A4+ (Reaffirmed)
02 Jul 2020	Bank Guarantee	Short Term	22.00	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	3.00	ACUITE BB   Stable (Reaffirmed)

**Annexure - Details of instruments rated**

<b>Lender's Name</b>	<b>ISIN</b>	<b>Facilities</b>	<b>Date Of Issuance</b>	<b>Coupon Rate</b>	<b>Maturity Date</b>	<b>Complexity Level</b>	<b>Quantum (Rs. Cr.)</b>	<b>Rating</b>
Canara Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	22.00	ACUITE A4+   Reaffirmed
Canara Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	Simple	3.00	ACUITE A4+   Assigned
Canara Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	3.00	ACUITE BB   Stable   Reaffirmed

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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