

Press Release

C.N. Ladhani Enterprises (I) Private Limited

June 05, 2019

Rating Assigned



| | |
|-------------------------------------|-----------------------------|
| Total Bank Facilities Rated* | Rs. 10.00 Cr. |
| Long Term Rating | ACUITE B- / Outlook: Stable |
| Short Term Rating | ACUITE A4 |

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B-**' (read as **ACUITE B minus**) and short term rating of '**ACUITE A4**' (read as **ACUITE A four**) to the Rs. 10.00 crore bank facilities of C.N. Ladhani Enterprises (I) Private Limited (CNLPL). The outlook is '**Stable**'.

CNLPL was incorporated as a private limited company in 2014 with the name 'Peenang InfraProjects Private Limited' by Mr. Nitin Ladhani. Subsequently the name of the Company was changed to 'C. N. Ladhani Enterprises (I) Private Limited'. CNLPL is Mumbai based concern, engaged in different types of civil constructions in the segments like Drainage Projects, Road Projects, Minor Irrigation Projects and more.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of CNLPL for arriving at the rating.

Key Rating Drivers

Strengths

- **Experienced management**

CNLPL is promoted by Mr. Nitin Ladhani who also manages the day to day operations of the company. Mr. Nitin Ladhani has an experience of around a decade in the same line of business. CNLPL is engaged in providing different types of civil constructions in the segments like bridges, water and drainage projects, roads etc. under government and semi government entities CNLPL's order book position remains healthy at Rs.72.00 crore as on 14th May, 2019. Hence, the healthy order book provides modest revenue visibility for the firm over the medium term.

Acuité believes that the company will continue to benefit through the promoter's extensive industry experience over the medium term.

Weaknesses

- **Below average financial risk profile**

CNLPL's financial risk profile is marked by its low net worth, moderate gearing and moderate debt protection measures. The net worth increased to Rs.3.18 crore as on 31 March, 2018 as against Rs.3.06 crore in the previous year on account of stable profitability leading to higher accretion to reserves. The company's gearing is estimated to be moderate at 1.15 times as on 31 March, 2018 as against 1.43 times in the previous year. The company has followed a conservative financial policy in the past, as reflected by its peak gearing of around 1.51 times as on March 31, 2016. The total debt of Rs.3.64 crore consists of long term debt of Rs.0.28 crore, unsecured loans from promoters of Rs. 0.23 crore and Rs.3.13 crore of short term debt obligations. The moderate profitability levels has resulted in moderate net cash accruals of Rs.0.27 crore during 2016-18, while the debt levels are at around Rs.3.64 crore during the same period, leading to moderate debt protection measures. The interest coverage ratio stood at 1.28 times in FY18 as against 1.20 times in the previous year. NCA/TD ratio stood 0.07 times in FY18. Acuité believes that the financial risk profile will improve to average on account of moderate cash accruals and conservative financial policy.

• **Customer concentration risk**

About 98 percent of orders of the company are coming from MCGM thus is exposed to significant customer concentration risk.

• **Profitability susceptible to fluctuations in input cost**

The input cost i.e. power cost, labour cost and raw materials - iron, steel and cement are highly volatile in nature with raw material cost constituting around ~82 percent of the total revenue. Hence, any adverse movement in input costs can impact profitability. However, the company reported EBITDA margin of 10.30 percent for FY2018 as against 14.04 percent in the previous year.

• **Working capital intensive nature of operations**

Operations of CNLPL are working capital intensive reflected by high gross current assets which stood at 748 days, driven by debtors of 63 days and inventory of 55 days, as on March 31, 2018. Inventory is expected to be around similar levels over the medium term. Working capital requirement is funded through bank lines that have been 90 percent utilised over the six months through March 2018. Creditors were at 41 days as on March 31, 2018.

Acuite believes that the operations of CNLPL are likely to remain working capital intensive over the medium term.

Liquidity Position

CNLPL has adequate liquidity marked by moderate net cash accruals to its maturing debt obligations. The company generated cash accruals of ~Rs.0.18 to Rs. 0.40 crore during the last three years through 2017 - 18, while its maturing debt obligations were in the range of ~Rs.0.10 to Rs. 0.15 crore over the same period. The cash accruals of the company are estimated to remain at around Rs. 0.50 - Rs.1.50 crore during 2019-21. The company's operations are working capital intensive as marked by Gross Current Asset (GCA) days of 748 in FY 2018. The company maintains unencumbered cash and bank balances of Rs.0.75 crore as on March 31, 2018. The current ratio of the company stood moderate at 1.11 times as on March 31, 2018. Acuite believes that the liquidity of the company is likely to remain adequate over the medium term on account of moderate cash accrual while its maturing debt obligations are estimated to be Rs. 0.10 crore.

Outlook: Stable

Acuite believes that the outlook on CNLPL's rated facilities will remain stable over the medium term on account of its promoter's experience. The outlook may be revised to 'Positive' in case of significant growth in revenue and profitability while effectively managing its liquidity position. Conversely, the outlook may be revised to 'Negative' in case of deterioration in the financial and liquidity profile due to higher than envisaged working capital requirements.

About the Rated Entity - Key Financials

| | Unit | FY18 (Actual) | FY17 (Actual) | FY16 (Actual) |
|-------------------------------|---------|---------------|---------------|---------------|
| Operating Income | Rs. Cr. | 6.75 | 4.76 | 9.53 |
| EBITDA | Rs. Cr. | 0.69 | 0.67 | 0.99 |
| PAT | Rs. Cr. | 0.12 | 0.11 | 0.32 |
| EBITDA Margin | (%) | 10.30 | 14.04 | 10.43 |
| PAT Margin | (%) | 1.78 | 2.21 | 3.38 |
| ROCE | (%) | 17.10 | 16.89 | 28.11 |
| Total Debt/Tangible Net Worth | Times | 1.15 | 1.43 | 1.51 |
| PBDIT/Interest | Times | 1.28 | 1.20 | 1.92 |
| Total Debt/PBDIT | Times | 2.68 | 3.31 | 4.10 |
| Gross Current Assets (Days) | Days | 748 | 1,226 | 541 |

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-14.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.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 B- / Stable |
| Bank Guarantee | Not Applicable | Not Applicable | Not Applicable | 5.00 | ACUITE A4 |
| Proposed Bank Guarantee | Not Applicable | Not Applicable | Not Applicable | 2.00 | ACUITE A4 |

Contacts

| Analytical | Rating Desk |
|---|---|
| Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-49294041 aditya.gupta@acuite.in Sanket Kotkar Analyst - Rating Operations Tel: 02249294073 sanket.kotkar@acuite.in | Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in |

About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and 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. Since then, it has assigned more than 6,000 credit 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 Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.