

S. K. Pradhan Construction Company Private Limited

May 03, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	2.50	CARE B-; Stable; ISSUER NOT COOPERATING* (Single B Minus; Outlook: Stable ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category
Short Term Bank Facilities	6.00	CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)	Rating continues to remain under ISSUER NOT COOPERATING category
Total Bank Facilities	8.50 (Rs. Eight Crore and Fifty Lakhs Only)		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from S. K. Pradhan Construction Company Private Limited to monitor the ratings vide letters/e-mails communications dated April 09, 2021, April 27, 2021, April 29, 2021 and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the ratings on the basis of the publicly available information which however, in CARE's opinion is not sufficient to arrive at fair rating. The S. K. Pradhan Construction Company Private Limited's bank facilities will now be denoted as **CARE B-; Stable; ISSUER NOT COOPERATING /CARE A4; ISSUER NOT COOPERATING**. Further, the banker could not be contacted.

Users of these ratings (including investors, lenders and the public at large) are hence requested to exercise caution while using the above ratings.

Detailed description of the key rating drivers

Key Rating Weaknesses

Small scale of operation with moderate profitability margins

The scale of operations of the company remained small marked by total operating income of Rs.13.79 crore (Rs.10.88 crore in FY19) with a PAT of Rs.0.71 crore (Rs.0.45 crore in FY19) in FY20. Furthermore, the profitability margin of the company remained moderate marked by PBILDT margin of 9.32% (FY19: 8.44%) and PAT margin of 5.12% (FY19: 4.17%) in FY20.

Risk associated with participating in tenders and intense competition in the industry

The entity has to bid for the contracts based on tenders opened by the various public sector and government sectors. Upon successful technical evaluation of various bidders, the lowest bid is awarded the contract. The entity receives projects which majorly are of a short to medium tenure (i.e. to be completed within maximum period of eight to twelve months). Furthermore, orders are generally tender driven floated by government units indicating a risk of non-receipt of contract in a competitive industry.

Working capital intensive nature of business

The operations of the entity remained working capital intensive as the entity executes orders mainly for government sectors. The average collection period remained at 82 days during FY20 and average inventory days remained at 23 days during FY20 as the company majorly executes contracts for state government.

Volatility associated with fluctuations in input prices

The major input materials for the entity are stone chips, D.I. pipe, pump, cement, bricks etc. the prices of which are volatile. This apart, any increase in labour prices will also impact its profitability being present in a highly labour-intensive industry.

Key Rating Strengths

Experienced management with satisfactory track record of operations

S.K. Pradhan Construction Company Private Limited was incorporated in the year 2010 and thus having a satisfactory track record of operations. Since its inception the company is engaged in civil construction works on behalf of various public and government entities. Mr. Dig Vijay Pradhan (Director) has more than two decades of experience in civil construction

industry looks after the day-to day activities of the company along with the other director Mr. Chandan Pradhan along with a team of technical and non-technical professionals who are having long experience in this industry.

Satisfactory order book position of the entity

S.K. Pradhan Construction Company Private Limited has satisfactory order book position of Rs.14.87 crore (which is 1.61x of FY18 turnover) as on February 28, 2019, which is expected to be completed by February 2020.

Comfortable capital structure and satisfactory debt coverage indicators

Capital structure of the company remained comfortable marked by debt equity and overall gearing ratios both at 0.03x and 0.08, respectively, as on March 31, 2020. Moreover, the debt coverage indicators remained comfortable during last three years (FY18-FY20). Furthermore, the interest coverage ratio remained satisfactory during last three years and stood at 5.29x in FY20. The total debt to GCA remained satisfactory at 0.27x in FY20.

Analytical approach: Standalone

Applicable Criteria

Policy in respect of Non-cooperation by issuer
Criteria on assigning 'outlook' and 'credit watch
Rating Methodology – Construction Sector
CARE's Policy on Default Recognition
Financial ratios – Non-Financial Sector
Criteria for Short Term Instruments

About the Company

S.K. Pradhan Construction Company Private Limited was incorporated in the year 2010 with its office located at Ranchi, Jharkhand. Since its inception, the entity has been engaged in civil construction business in the segment like roads, bridges, pipeline and water tank. Further, the entity is also classified as class 'I' contractor in civil (B&R) under the department of PWD of Jharkhand. Class 'I' contractor can bid for all types and higher value of contracts of Public Works Department (PWD) in Jharkhand. The entity is also engaged in contractor business with RNB, Government of Odisha.

Mr. Dig Vijay Pradhan (Director) has more than two decades of experience in civil construction industry looks after the day-to day activities of the company along with the other director Mr. Chandan Pradhan along with a team of technical and non-technical professionals who are having long experience in this industry.

Brief Financials (Rs. crore)	FY19(A)	FY20(A)
Total operating income	10.88	13.79
PBILDT	0.92	1.28
PAT	0.45	0.71
Overall gearing (times)	1.12	0.08
Interest coverage (times)	5.14	5.29

A: Audited,

Status of non-cooperation with previous CRA: Nil.

Any other information: Not Applicable.

Rating History (Last three years): Please refer Annexure-2

Detailed explanation of covenants of the rated facilities: Annexure-3

Complexity level of various instruments rated for this Entity: Annexure-4

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	2.50	CARE B-; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-Bank Guarantees	-	-	-	6.00	CARE A4; ISSUER NOT COOPERATING*

*Issuer did not cooperate; Based on best available information

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1.	Fund-based - LT-Cash Credit	LT	2.50	CARE B-; Stable; ISSUER NOT COOPERATING*	-	-	1)CARE B-; Stable; ISSUER NOT COOPERATING* (09-Mar-20) 2)CARE B; Stable (17-May-19)	-
2.	Non-fund-based - ST-Bank Guarantees	ST	6.00	CARE A4; ISSUER NOT COOPERATING*	-	-	1)CARE A4; ISSUER NOT COOPERATING* (09-Mar-20) 2)CARE A4 (17-May-19)	-

*Issuer did not cooperate; Based on best available information

Annexure-3: Detailed explanation of covenants of the rated facilities: Not applicable.

Annexure 4: Complexity level of various instruments rated for this Entity

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Non-fund-based - ST-Bank Guarantees	Simple

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

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About CARE Ratings:

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