

Capital Enterprises

October 21, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	1.00	CARE B-; Stable; ISSUER NOT COOPERATING*	Rating moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	5.00	CARE A4; ISSUER NOT COOPERATING*	Rating moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

*Issuer did not cooperate; based on best available information.

Rationale and key rating drivers

CARE Ratings Ltd. has been seeking information from Capital Enterprises (CE) to monitor the rating vide email communications dated August 07, 2024, September 09, 2024, October 04, 2024 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 Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. Further, CE has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The rating on CE's bank facilities will now be denoted as CARE B-; Stable/CARE A4; ISSUER NOT COOPERATING*.

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

The rating has been revised on account of non-availability of adequate information thereby leading to uncertainty around credit risk of the company.

The ratings assigned to the bank facilities of CE are constrained by past history of default, small scale of operation, sole proprietorship nature of constitution with history of capital withdrawals, tender based and working capital intensive operations and inherent risk associated with the construction sector.

The ratings, however, derive strength from experienced promoter with long track record of operation, satisfactory capital structure and debt coverage indicators, and healthy order book.

Analytical approach: Standalone

Outlook: Stable

Detailed description of key rating drivers:

At the time of last rating on August 04, 2023, the following were the rating strengths and weaknesses (updated for the information available from the company):

Key weaknesses

Past history of default:

The company was previously assigned rating of CARE D due to delays in debt servicing. Later, the company entered a compromise settlement with NeDFi from which it had taken a loan of Rs. 8.25 crore against a work order received from central government; 50% of work was executed after which the project was shut down. Due to non-realisation of the work order, the firm had to enter into a compromise settlement with the bank. The revised due amount was Rs. 6.50 crore out of which Rs. 3.68 crore has already been repaid and the remaining amount will be repaid within the stipulated period. Furthermore, previously there were also instances of overdrawals in the CC limits which have been regularised since January 2023.

Small scale of operation:

Though the total operating income of the entity has grown from Rs. 170.01 crores in FY23 to Rs. 190.63 crore in FY24, the overall scale of the entity continues to be small when compared to the overall scale of the industry and the other players operating in the industry. The small scale deprives it from the benefits of economies of scale and restricts the financial flexibility of the firm in times of stress.

¹Complete definition of ratings assigned are available at www.careedge.in and other CARE Ratings Limited's publications.

Sole proprietorship nature of constitution with history of capital withdrawals:

Proprietorship nature of business has an inherent risk of withdrawal of capital by the proprietor at the time of his personal contingency resulting in reduction of capital base leading to adverse effect on capital structure. In FY24, proprietor has withdrawn a total of Rs. 9.69 crore. Furthermore, proprietorship firms have restricted access to external borrowing as credit worthiness of proprietor would be the key factors affecting credit decision for the lenders. CE, being a proprietorship firm, is exposed to inherent risk of the proprietorship's capital being withdrawn at time of personal contingency and firm being dissolved upon the death/retirement/insolvency of the proprietor.

Tender based and working capital intensive operations:

CE receives most of its work orders for Military Engineering services (MES). All these are tender based, and the revenues are dependent on the CE's ability to bid successfully for these tenders. The profitability margins of the firm may come under pressure because of the competitive nature of the industry. The operations of firm are working capital intensive due to tender based and long-term nature of contracts. Further, a part of the sales proceeds is also withheld in the form of retention money due to long duration of construction projects, which gets released after the successful completion of performance guarantee test period. In addition, the firm needs to maintain raw material inventory for timely execution of projects. The firm has a high gross current asset (days) of 150 days. It also has a high working capital cycle of 77 days majorly owing to high inventory days.

Inherent risk associated with the construction sector:

Inherent risks involved in the construction industry such as aggressive bidding, interest rate risk, volatile commodity prices and delays in project for executing the work have collectively affected the credit profile of the developers in the past.

Key strengths

Experienced promoter with long track record of operation:

The firm is into operation since 2000, hence has a long track record of operations. Being in the same line of business for a prolonged period, the proprietor has built established relationship with its clients and the entity is deriving benefits out of this. The day-to-day affairs of the entity are looked after by Mrs. Senbom Taipodia with adequate support from her husband Mr. Dayanand Thakur who have more than two decades of experience in the relevant line of business.

Satisfactory capital structure and debt coverage indicators

The overall capital structure continues to be satisfactory. The overall gearing ratio stood at 0.07x as on March 31, 2024 (FY23: 0.08x). The total debt to GCA remained at similar levels in FY24 at 0.30x (FY23: 0.33).

Healthy order book

The entity has satisfactory order book position of Rs. 682.73 crore as on September 30, 2024 (3.58x of TOI of FY24) which provides revenue visibility to some extent.

Applicable criteria

[Policy in respect of non-cooperation by issuers](#)

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Construction](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Construction	Construction	Civil Construction

Capital Enterprises (CE) was established in 2000 as a proprietorship entity by Mrs. Senbom Taipodia under the guidance of Mr. Dayanand Thakur (Husband of Mrs. Senbom Taipodia) of Arunachal Pradesh. Since inception, the entity has been engaged in electrical, mechanical, infrastructural works and civil construction in the state of Arunachal Pradesh. There were instances of

delays in the servicing of long-term debt obligations in the past due to which company was assigned a default rating. The entity is registered as "Class 1" category contractor by the government of Assam and Arunachal Pradesh.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)
Total operating income	170.01	190.63
PBILDT	13.89	15.81
PAT	13.57	15.44
Overall gearing (times)	0.08	0.07
Interest coverage (times)	23.93	30.51

A: Audited; Note: these are latest available financial results

Status of non-cooperation with previous CRA:

Brickwork Ratings has conducted the review on the basis of best available information and has classified CE as "Issuer Not Cooperating" vide its press release dated December 06, 2023. The reason provided by Brickwork Ratings is non-furnishing of requisite information for monitoring of ratings.

Any other information: Not Applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned and Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	1.00	CARE B-; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-Bank Guarantee		-	-	-	5.00	CARE A4; ISSUER NOT COOPERATING*

*Issuer did not cooperate; based on best available information

Annexure-2: Rating history for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based - LT-Cash Credit	LT	1.00	CARE B-; Stable; ISSUER NOT COOPERATING*	-	1)CARE B-; Stable (04-Aug-23)	1)CARE D; ISSUER NOT COOPERATING* (02-Aug-22)	1)CARE D; ISSUER NOT COOPERATING* (11-Jun-21)
2	Non-fund-based - ST-Bank Guarantee	ST	5.00	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4 (04-Aug-23)	1)CARE D; ISSUER NOT COOPERATING* (02-Aug-22)	1)CARE D; ISSUER NOT COOPERATING* (11-Jun-21)

*Issuer did not cooperate; based on best available information.

LT: Long term; ST: Short term

Annexure-3: Detailed explanation of covenants of rated instruments/facilities: Not Applicable**Annexure-4: Complexity level of instruments rated**

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

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on complexity levels of rated instruments: CARE Ratings has classified instruments rated by it based on complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for clarifications.

Contact us

Media Contact Mradul Mishra Director CARE Ratings Limited Phone: +91-22-6754 3596 E-mail: mradul.mishra@careedge.in	Analytical Contacts Arindam Saha Director CARE Ratings Limited Phone: +91-033- 40181631 E-mail: arindam.saha@careedge.in
Relationship Contact Ankur Sachdeva Senior Director CARE Ratings Limited Phone: 912267543444 E-mail: Ankur.sachdeva@careedge.in	Gopal Pansari Associate Director CARE Ratings Limited Phone: +91-033- 40181647 E-mail: gopal.pansari@careedge.in
	Roshan Agarwal Analyst CARE Ratings Limited E-mail: Roshan.agarwal@careedge.in

About us:

Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

Disclaimer:

The ratings issued by CARE Ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse, or recall the concerned bank facilities or to buy, sell, or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings has based its ratings/outlook based on information obtained from reliable and credible sources. CARE Ratings does not, however, guarantee the accuracy, adequacy, or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating/outlook assigned by CARE Ratings is, inter-alia, based on the capital deployed by the partners/proprietors and the current financial strength of the firm. The ratings/outlook may change in case of withdrawal of capital, or the unsecured loans brought in by the partners/proprietors in addition to the financial performance and other relevant factors. CARE Ratings is not responsible for any errors and states that it has no financial liability whatsoever to the users of the ratings of CARE Ratings. The ratings of CARE Ratings do not factor in any rating-related trigger clauses as per the terms of the facilities/instruments, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and triggered, the ratings may see volatility and sharp downgrades.

**For detailed Rationale Report and subscription information,
please visit www.careedge.in**