

Chavda Infra Limited

December 24, 2024

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	57.59 (Reduced from 60.50)	CARE BBB-; Positive	Reaffirmed; Outlook revised from Stable
Long Term / Short Term Bank Facilities	18.00	CARE BBB-; Positive / CARE A3	Assigned
Long Term / Short Term Bank Facilities	28.40 (Enhanced from 12.50)	CARE BBB-; Positive / CARE A3	Reaffirmed; Outlook revised from Stable
Short Term Bank Facilities	1.89 (Reduced from 7.00)	CARE A3	Reaffirmed

Details of instruments/facilities in Annexure-1.

Ratings assigned to the bank facilities sanctioned by HDFC Bank and Deutsche Bank have been withdrawn based on 'No-dues Certificate' furnished by the company.

Rationale and key rating drivers

The reaffirmation of the ratings assigned to the bank facilities of Chavda Infra Limited (CIL) continues to favourably factor in its experienced promoters and its established track record of operations in the civil construction industry, growing scale of operations with healthy profitability and debt coverage indicators, healthy revenue visibility and its adequate liquidity.

The ratings, however, continue to remain constrained on account of CIL's moderate capital structure, sectoral and geographical concentration of its orderbook and moderate counterparty risk. The ratings also factor high working capital intensity of its operations and its presence in a highly competitive and cyclical construction industry.

The Income Tax (IT) department conducted a search at the company premises/sites in December 2024. CARE Ratings Limited (CARE Ratings) would monitor developments in this regard for any major material findings.

CARE Ratings has withdrawn the ratings assigned to the bank facilities of Chavda Infra Limited sanctioned by HDFC Bank and Deutsche Bank as the company has repaid the outstanding rated facilities from these banks in full and there is no amount outstanding under them as on date. The rating action has been taken at the request of the company and receipt of 'No Dues Certificate' from the respective banks for the facilities rated by CARE Ratings.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Timely execution of orders leading to growth in the scale of operations with maintenance of a healthy profitability
- Improvement in overall gearing to 0.80x on a sustained basis
- Improvement in liquidity cushion through efficient working capital management

Negative factors

- Delay in execution of contracts leading to a significant dip in scale, along with deterioration in PBILDT margin below 12% on a sustained basis
- Increase in working capital intensity leading to an increase in gross current asset (GCA) days beyond 280 days

Analytical approach: Standalone

Outlook: Positive

The revision in the outlook from 'Stable' to 'Positive' takes into account CARE Ratings' expectation of continued improvement in CIL's scale and profitability, driven by its healthy order book; as well as improvement in the liquidity cushion with reduced capex requirement and better working capital management.

The outlook may be revised to 'Stable' in case of lower than envisaged operating performance or continued high working capital intensity with limited liquidity cushion.

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

Detailed description of key rating drivers:

Key strengths

Growing scale of operations with healthy revenue visibility in the medium term

CIL's TOI grew at a compounded annual growth rate (CAGR) of around 49% over past three years, with a total operating income (TOI) of Rs.241.66 crore in FY24 (FY refers to the period April 01 to March 31) as against Rs.108.91 crore in FY22. The growth momentum is expected to continue in the near term backed by its healthy orderbook of Rs.684.39 crore as on November 30, 2024, to be executed within next 18-36 months, translating into a revenue visibility of 2.83x of FY24 TOI.

During H1FY25 (provisional), CIL reported TOI of Rs.114.88 crore.

Considering execution of the projects is skewed in the second half of the financial year, CARE Ratings expects CIL to achieve TOI of around Rs.300 crore during FY25.

Healthy profitability and debt coverage indicators

During FY24, CIL's PBILDT margin improved by 191 bps on a y-o-y basis to 17.90% (FY23: 15.99%) on account of efficient raw material usage, rate discount received from suppliers, and better absorption of fixed overheads due to economies of scale. The profitability of the company depends on the nature of contracts executed during the fiscal. Further, the presence of price variation clause w.r.t all major raw materials like RCC, cement, and steel insulates CIL's profitability against major fluctuations in raw material prices.

During H1FY25 (provisional), CIL reported PBILDT margin of 21.27% (H1FY24: 13.98%), and the same is expected to remain above 20% for full year FY25.

Furthermore, in line with increase in scale and improvement in profitability level, the debt coverage indicators stood healthy as marked by PBILDT interest coverage and Total Debt to Gross Cash Accruals (TD/GCA) of 5.99x (FY23: 5.36x) and 2.94x (FY23: 3.08x) respectively during FY24.

Experienced Promoters with long standing associated with reputed industrial and real estate players

The key promoter, Mr. Mahesh Chavda, has almost three decades of experience in the civil construction industry and looks after overall operations. He is ably assisted by his sons, Mr. Johil Chavda and Mr. Jeet Chavda, having a decade of experience in the industry. The promoter group looks after key functions of the company and is supported by an experienced and qualified management team of professionals to manage its daily operations.

CIL has been in the civil construction business for around three decades and has demonstrated a track record of timely completion of civil construction contracts awarded by reputed real estate and industrial development players.

Key weaknesses

Moderate capital structure

Company's overall gearing, though improved from 1.80x at FY23 end to 0.97x at FY24 end, continued to remain moderate, owing to its sizeable asset addition along with high reliance on working capital debt to support the growth in scale of operations. Its net worth base however increased to Rs.100.48 crore as on September 30, 2024, as compared to Rs.30.40 crore, as on March 31, 2023 with accretion to reserves and receipt of IPO proceeds in September 2023.

Gearing in near term is expected to remain on similar lines (of FY24) on account of an envisaged increase in debt levels for acquisition of equipment and machinery, along with expected incremental working capital borrowings to support the growth in scale. It, however, is envisaged to improve subsequently with limited capex requirement (owing to a significant buildup of gross block in last two years), which shall contain its reliance on incremental working capital debt.

Working capital intensive operations

CIL is engaged in execution of civil construction works for private real estate players, wherein apart from higher inventory levels due to milestone-based billing system, credit period of around 75-90 days is also extended to clientele, resulting in a high working capital intensity of operations.

Moreover, with increase in number of projects under execution, overall working capital requirement has also increased, marked by Gross Current Asset days and operating cycle of 267 days (FY23: 266 days) and 115 days (FY23: 97 days) respectively during FY24.

Efficient management of working capital requirement going forward resulting in improvement in liquidity cushion remains crucial from credit perspective.

Geographical and segmental concentration of orderbook

CIL's entire orderbook pertains to development of residential and commercial building for private real estate players in the vicinity of Ahmedabad and Gandhinagar, resulting in high geographical and segmental concentration of its operations. Any downturn in these micro markets would adversely impact its cash flows. However, CIL is favourably placed for execution of projects in Ahmedabad wherein it has established in-house managerial resources and local knowledge generally required for the smooth execution of the projects.

Presence in competitive and cyclical construction industry

CIL is a small-sized player operating in an intensely competitive and fragmented construction industry, wherein the company is dependent on private real estate players for orders. Furthermore, the operations of the company are directly correlated to the growth in the real estate sector, exposing the growth potential of the company to vulnerability in real estate sector.

Liquidity: Adequate

Overall liquidity profile of the company stands adequate marked by sufficient gross cash accruals generated for covering the debt repayment obligations, though overall utilisation of its fund-based working capital limits continues to remain high and stood at over 90% for the trailing 12 months ended November 2024, with largely full utilisation during select days of the month. While cash flow from operations (CFO) remained negative at Rs.23.17 crore during FY24, in line with elongation of company's operating cycle, funds were also deployed in asset build-up during the year.

Considering a high utilisation of existing limits and meagre free cash and bank balance (of Rs.0.82 crore as on September 30, 2024), company has applied for an enhancement in limits, which is expected to aid its liquidity profile. Also, its debt annual repayment obligation of around Rs.13-Rs.18 crore over the next three years ended FY27 is envisaged to be comfortably met out of its gross cash accruals.

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Withdrawal Policy](#)

[Construction](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Construction	Construction	Civil Construction

Chavda Infra Limited (CIL; CIN: U45204GJ2012PLC072245) was initially formed in 2012 as a private limited company by Mr. Mahesh Chavda. Subsequently in 2023, the constitution was changed to Public Limited Company and during September 2023, the company got listed on National Stock Exchange (NSE) on SME platform.

CIL is a civil construction company offering construction services across residential, commercial and institutional projects for private real estate players in Gujarat, especially in Ahmedabad and Gandhinagar. CIL is ISO 9001:2015 certified for quality management system by BCQ Assessment Private Limited. The quality certification is towards construction of commercial, residential, institutional buildings.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	160.48	241.66	114.88
PBILDT	25.66	43.25	24.43
PAT	12.17	18.76	9.29
Overall gearing (times)	1.80	0.97	0.99
Interest coverage (times)	5.36	5.99	5.00

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

Status of non-cooperation with previous CRA: None

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		-	-	-	43.98	CARE BBB-; Positive
Fund-based - LT-Term Loan		-	-	August, 2037	4.88	CARE BBB-; Positive
Fund-based - LT-Working Capital Limits		-	-	-	8.73	CARE BBB-; Positive
Fund-based - LT/ST-Cash Credit		-	-	-	28.40	CARE BBB-; Positive / CARE A3
Fund-based/Non-fund-based-LT/ST		-	-	-	18.00	CARE BBB-; Positive / CARE A3
Non-fund-based - ST-Letter of credit		-	-	-	1.89	CARE A3

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	43.98	CARE BBB-; Positive	-	1)CARE BBB-; Stable (12-Jan-24)	-	-
2	Fund-based - LT/ ST-Cash Credit	LT/ST	28.40	CARE BBB-; Positive / CARE A3	-	1)CARE BBB-; Stable / CARE A3 (12-Jan-24)	-	-
3	Non-fund-based - ST-Letter of credit	ST	1.89	CARE A3	-	1)CARE A3 (12-Jan-24)	-	-
4	Fund-based - LT-Term Loan	LT	4.88	CARE BBB-; Positive	-	1)CARE BBB-; Stable (12-Jan-24)	-	-
5	Fund-based - LT-Working Capital Limits	LT	8.73	CARE BBB-; Positive	-	1)CARE BBB-; Stable (12-Jan-24)	-	-
6	Fund-based/Non-fund-based-LT/ST	LT/ST	18.00	CARE BBB-; Positive / CARE A3				

LT: Long term; ST: Short term; LT/ST: Long term/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	Fund-based - LT-Term Loan	Simple
3	Fund-based - LT-Working Capital Limits	Simple
4	Fund-based - LT/ ST-Cash Credit	Simple
5	Fund-based/Non-fund-based-LT/ST	Simple
6	Non-fund-based - ST-Letter of credit	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.

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About us:

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