

CSK Developers

January 21, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term / Short Term Bank Facilities	12.00	CARE BB-; Stable / CARE A4	Reaffirmed
Short Term Bank Facilities	30.00	CARE A4	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The ratings assigned to the bank facilities of CSK Developers (CSK) are constrained by moderate scale of operations, concentrated order book, limited revenue visibility, moderately leveraged capital structure, profitability margins susceptible to fluctuation in raw material prices, competitive industry and partnership nature of constitution with inherent risk of withdrawal of capital. However, the ratings derive comfort from the extensive experience of the promoters in the segment.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Scaling up of operations more than ₹125.00 crores while maintaining the profit before interest, lease rentals, depreciation, and taxation (PBILDT) margin of 7% on a sustained basis.
- Diversify order book reducing concentration from single large order and geographical diversification of orders.

Negative factors

- Any significant delays in execution of orders resulting in sizable decline in scale of operations below ₹50.00 crore on sustained basis.
- Any delay in the collection period, leading to stretched liquidity position.
- Any increase in debt levels leading to deterioration of capital structure above 3.00x.

Analytical approach: Standalone

Outlook: Stable

The 'Stable' outlook by CARE Ratings Limited, reflects that the firm is expected to maintain stable operations in the medium-term deriving benefit from extensive experience of the promoters in the industry.

Detailed description of key rating drivers:

Key weaknesses

Moderate scale of operations

CSK is engaged in civil construction work entirely based out in Tamil Nadu and the firm has limited track record of operations since it was established only in September 2021 and FY23 being the first full year of operations. The total operating income (TOI) of CSK had improved to ₹107.01 crore in FY24 (refers to the period April 01 to March 31) with PBILDT margin of 8.08% against ₹85.91 crores in FY23 with PBILDT margin of 7.20%. During 9mFY25 (refers to the period April 01 to December 31), the firm reported income of ₹97.94 crore.

Concentrated order book

The firm has an outstanding orderbook position of ₹113.88 crores (1.06x of FY24 TOI) as on December 31, 2024, against outstanding orderbook position of ₹124.26 crore (1.45x of FY23 TOI) as on January 24, 2024. The current orderbook is executable till January 2026. The orderbook remains concentrated with top 2 orders forming 64% of total outstanding order book position, and furthermore the operations of the firm are geographically concentrated within Tamil Nadu.

Moderate capital structure and debt coverage indicators

The firm's capital structure remained moderately leveraged, with an overall gearing ratio of 1.92x as of March 31, 2024, compared to 1.86x as of March 31, 2023. This increase was due to higher working capital utilization and new term loans taken for machinery purchases. The debt coverage indicator, represented by Total Debt to Gross Cash Accruals (GCA), moderated to 5.14x in FY24 from 4.40x in FY23.

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

Profitability margins are susceptible to fluctuation in raw material prices

Raw materials constitute a significant cost component for construction sector entities, and their volatile prices expose the cost structure to fluctuations in the prices of key materials like steel, cement, bitumen, sand, and bricks. Consequently, the firm's profit margins are susceptible to the volatility of raw material prices. The firm has availed escalation clause for few of its projects which could mitigate from the adverse effects of raw material price volatility to an extent.

Tender driven nature of business with highly competitive intensity

The firm undertakes projects for state and central government authorities majorly. CSK's revenue stream is solely derived from tender-based projects, making its success contingent upon its ability to secure these contracts. The intense competition within the industry puts pressure on profit margins. However, the promoters' extensive experience in the construction industry, spanning two decades, serves as a mitigating factor against this risk. CSK operates in a highly fragmented and competitive landscape, characterized by many mid-sized players. Additionally, the presence of established and well-connected large-sized players further intensifies competition in the industry.

Partnership nature of business constitution with inherent risk of withdrawal of capital

CSK's partnership structure carries an inherent risk of capital withdrawal by the partners to address personal contingencies. This withdrawal can erode the company's capital base, negatively impacting its capital structure.

Key strengths

Extensive experience of the promoters in the segment

The firm was incorporated by Chandrasekaran S and Kalyanasundaram T in September 2021. Both the promoters have more than two decades of experience in the construction sector. The day-to-day operations are overseen by Chandrasekaran who has experience in managing a sole proprietorship firm for over two decades in the construction space. Kalyanasundaram also has experience of managing a partnership firm 'AT Engineering Construction' based out in Thanjavur, for more than two decades also executing construction contracts.

Liquidity: Stretched

The firm has stretched liquidity position with current ratio 1.18x of with accruals of ₹4.93 crores for the long-term repayments and with a cash balance of ₹1.64 crores as on March 31, 2024. The average collection period increased from 42 days to 56 days in FY24 resulting in elongation of working capital cycle from 18 days to 43 days in FY24. The firm maintains necessary raw materials for 15 to 30 days. The firm has been sanctioned with ₹30.00 crore fund based working capital limits and ₹12.00 crore non fund based working capital limits, with average utilisation of 70% and 90% respectively for the last 12 months ending December 2024.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

[Definition of Default](#)

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

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Construction](#)

[Infrastructure Sector Ratings](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Construction	Construction	Civil Construction

CSK Developers (CSK) was established in September 2021 as a partnership firm by S. Chandrasekaran and T. Kalyanasundaram. Based in Mayiladuthurai, Tamil Nadu, the firm specializes in government sector civil construction projects, including roads, bridges,

and water canals. The day-to-day operations are overseen by S. Chandrasekaran, who brings two decades of experience as a Class A contractor.

Brief Financials (₹ crore)	31-03-2023 (A)	31-03-2024 (A)	9m FY25 (P)
Total operating income	85.91	107.01	97.94
PBILDT	6.18	8.64	NA
PAT	3.28	4.01	NA
Overall gearing (times)	1.86	1.92	NA
Interest coverage (times)	10.31	5.38	NA

A: Audited P: Provisional NA: Not Available; Note: these are latest available financial results

Status of non-cooperation with previous CRA:

CRISIL Ratings Limited (CRISIL) has conducted a review based on the best available information and has classified CSK as "non-cooperative" vide its press release dated December 18, 2024. The reason provided by CRISIL is the non-furnishing of information for monitoring of rating.

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 - ST-Bank Overdraft		-	-	-	30.00	CARE A4
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	12.00	CARE BB-; Stable / CARE A4

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	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	12.00	CARE BB-; Stable / CARE A4	-	1)CARE BB-; Stable / CARE A4 (28-Feb-24)	-	-
2	Fund-based - ST-Bank Overdraft	ST	30.00	CARE A4	-	1)CARE A4 (28-Feb-24)	-	-

LT/ST: Long term/Short 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 - ST-Bank Overdraft	Simple
2	Non-fund-based - LT/ 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.

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