

## C.M. Abdul Khader

April 03, 2025

Facilities	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	0.55 (Enhanced from 0.41)	CARE B+; Stable	Rating removed from ISSUER NOT COOPERATING category and Reaffirmed
Short Term Bank Facilities	45.78 (Enhanced from 30.80)	CARE A4	Rating removed from ISSUER NOT COOPERATING category and Reaffirmed

Details of facilities in Annexure-1.

### Rationale and key rating drivers

CARE Ratings Limited (CARE Ratings) had previously rated the bank facilities of C.M. Abdul Khader as 'ISSUER NOT COOPERATING' since it had not paid the surveillance fees for the rating exercise agreed to in its Rating Agreement. The firm has now cooperated for undertaking the review.

The ratings assigned to the bank facilities of C.M. Abdul Khader (CMAK) are constrained by small scale of operations, sole proprietorship nature of the business, geographically concentrated operations, elongated working capital cycle and highly competitive nature of the industry. The ratings however derive strength from the long track record of the firm, healthy profitability margins and vast experience of the promoter in the business.

### Rating sensitivities: Factors likely to lead to rating actions

#### Positive factors

- Ability to scale up operations with total income above Rs.50 crores while maintaining PBILDT margin above 15% on sustained basis.
- Improve capital structure with overall gearing below 2x.

#### Negative factors

- Any delay in execution of orders leading to decline in income below Rs.20 crore on sustained basis.

### Analytical approach:

Standalone

### Outlook: Stable

The 'stable' outlook reflects the firm is expected to sustain its operational performance with revenue visibility from existing orders and benefit from established relationship with clients.

### Detailed description of key rating drivers:

#### Key weaknesses

##### Small scale of operations with geographically concentrated operations

The firm, despite being in operation for over 3 decades has small scale of operations marked by income of Rs. 20.83 crore in FY24 (refers to the period April 01 to March 31), as against Rs.34.90 crores in FY23. Further, the firm has booked revenue of Rs.11.80 crore in 11mFY25 (refers to the period April 01 to February 28). The order book stood at Rs.155.71 crores (7.48 times of FY24 turnover) as on August 31, 2024. The projects that have been taken up by the firm over the years are under the Jal Jeevan Mission, concentrated in the northern districts of Kerala, mainly Kannur and Kasaragod districts.

##### Sole proprietorship nature of the business

CMAK's nature of business is sole proprietorship, and it faces the inherent risk of withdrawal of capital by the proprietor at the time of their personal contingencies resulting in erosion of capital base leading to adverse effect on capital structure. The proprietor made no capital withdrawals during FY24 (PY: Rs.2.70 crore). With lower networth base, the overall gearing stood weak at 8.02 (PY: 4.67) as on March 31, 2024.

##### Highly competitive nature of the industry

<sup>1</sup>Complete definition of ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Limited's publications.

The sector in which CMAK is operating has minimal entry barrier and it is filled with fragmented and unorganised players. The orders are based upon the tender mechanism and the bidder with least quote wins the order. This type of market is prone to get affected by raw materials cost, election period, government policies and face a stiff competition from established companies with strong cash reserves.

## Key strengths

### Long track record of the firm and vast experience of the promoter in the business

CMAK was established in the year 1987 and has track record of over three decades in construction field. Prior to establishing the firm, its promoter Mr. C.M. Abdul Khader worked under other major contractors to gain experience in the field. Mr. C.M. Abdul Khader has experience of over four decades in construction activities related to pipelines and water supply systems.

### Comfortable profitability margins

CMAK has shown improvement in PBILDT margin from 7.86% in FY23 to 18.13% in FY24 as the firm was able to pass on the cost by invoking price escalation clauses. The strong association with the suppliers helped the firm in limiting the effects of the price hike to certain extent in the past.

### Liquidity: Poor

The liquidity position of the firm is poor marked by tightly matched accruals against repayment obligations of Rs.0.28 crores in FY24. The cash balance as on as on March 31, 2024 stood low at Rs. 0.15 crores. The firm has been sanctioned fund based and non-fund-based working capital limits and utilization stood at 95% and 20% respectively for the past 12 months ended February 2025. The current ratio of the firm stood at 1.12x as on March 31, 2024 (PY: 1.23x).

### 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 Sector](#)

[Infrastructure Sector Ratings](#)

[Short Term Instruments](#)

## About the company and industry

### Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Construction	Construction	Civil Construction

C.M. Abdul khader is a sole proprietorship firm started in the year 1987. The firm is situated in Kasaragod, Kerala and focuses on construction activities related to water supply system like laying of pipelines, installation of transmission mains etc. The firm has an order book of Rs. 155.71 crores as of August 31, 2024.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	11MFY25 (Prov)
Total operating income	34.90	20.83	11.80
PBILDT	2.74	3.78	4.31
PAT	0.85	0.51	NA
Overall gearing (times)	4.67	8.02	NA
Interest coverage (times)	1.79	1.28	1.18

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

### Status of non-cooperation with previous CRA:

Not Applicable

**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-Term Loan		-	-	September 2025	0.55	CARE B+; Stable
Fund-based - ST-Bank Overdraft		-	-	-	38.00	CARE A4
Non-fund-based - ST-Bank Guarantee		-	-	-	7.78	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	Fund-based - LT-Term Loan	LT	0.55	CARE B+; Stable	1)CARE B+; Stable; ISSUER NOT COOPERATING* (15-Nov-24)	1)CARE B+; Stable (06-Nov-23)	1)CARE B+; Stable (03-Oct-22)	-
2	Fund-based - ST-Bank Overdraft	ST	38.00	CARE A4	1)CARE A4; ISSUER NOT COOPERATING* (15-Nov-24)	1)CARE A4 (06-Nov-23)	1)CARE A4 (03-Oct-22)	-
3	Non-fund-based - ST-Bank Guarantee	ST	7.78	CARE A4	1)CARE A4; ISSUER NOT COOPERATING* (15-Nov-24)	1)CARE A4 (06-Nov-23)	1)CARE A4 (03-Oct-22)	-

\*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-Term Loan	Simple
2	Fund-based - ST-Bank Overdraft	Simple
3	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](mailto:care@careedge.in) for clarifications.

## Contact us

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### About us:

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