

Subhash Singh Choudhary

August 27, 2021

Ratings

Facilities/Instruments	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	6.00 (Enhanced from 4.00)	CARE BB+; Stable (Double B Plus; Outlook: Stable)	Reaffirmed
Short Term Bank Facilities	19.00 (Enhanced from 14.00)	CARE A4+ (A Four Plus)	Reaffirmed
Total Bank Facilities	25.00 (Rs. Twenty-Five Crore Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Subhash Singh Choudhary (SSC) continue to remain constrained by its relatively small size of operations with moderate profitability margins and order book position. The rating also factors in the proprietorship nature of constitution and intensely competitive industry with tender driven process. However, the ratings continue to drive strength from extensive experienced of the proprietor in the construction industry and comfortable capital structure with satisfactory debt coverage indicators and healthy liquidity position.

Rating Sensitivities

Positive Factors - Factors that could lead to positive rating action/upgrade:

- Executes order in hand in a timely manner, increase in scale of operation (turnover > Rs.150 crore) with improvement in operating margin reaching above 10% on a sustained basis.
- Change in constitution to a company.

Negative Factors- Factors that could lead to negative rating action/downgrade:

- Delay in execution of orders in hand beyond stipulated time frame, sharp delay in collection from debtors or degrowth in scale of operation (turnover < Rs.50 crore) on a sustained basis.
- Substantial withdrawal of capital or increased reliance on external borrowings leading to deterioration in capital structure.

Detailed description of the key rating drivers

Key Rating Weaknesses

Relatively small scale of operations with moderate profitability margins: The scale of operations of the entity remained relatively small marked by total operating income of Rs.77.33 crore in FY21 (Prov.)_as against Rs.89.95 crore in FY20. Further, the total operating income has declined by around 14% during FY21 vis-à-vis FY20 due to low execution of orders in hand owing to disruptions caused by COVID pandemic.

The small size restricts the financial flexibility of the entity in times of stress and deprives it from benefits of economies of scale. Moreover, the entity has achieved a turnover of Rs.23.19 crore during 4MFY22.

The profit margins remained moderate marked by operating margin of 7.85% in FY21 as against 7.64% in FY20.

Modest order book position: The entity has an unexecuted order book position of Rs.53.29 crore (0.69x of TOI of FY21) as on August 18, 2021 which is to be executed by February 2023. The revenue visibility seems to be low in near term as reflected from its low order book position. Moreover, as per the management the entity has Rs.28 crore of orders in L1 status as on August 23, 2021.

Proprietorship nature of constitution: SSC, being a proprietorship entity, is exposed to inherent risk of the capital being withdrawn at time of personal contingency and entity being dissolved upon the death/insolvency of the proprietor. Further, proprietorship entity has restricted access to external borrowing as credit worthiness of the proprietor would be the key factors affecting credit decision for the lenders. The proprietor has withdrawn capital of Rs.1.36 crore in FY21 as against Rs.0.27 crore in FY20.

Intensely competitive industry with tender driven process risk: The entity bids for the contracts based on tenders floated by the various government departments. Upon successful technical evaluation of various bidders, the lowest bid is awarded the contract. Since the type of work done by the entity is mostly commoditized, the entity faces intense competition from other players. Furthermore, orders are generally tender driven floated by the government departments indicating a risk of non-receipt of contract.

Key Rating Strengths

Extensive experience of the proprietor in the construction industry: The proprietor Mr. Subhash Singh Choudhary has around three decades of experience in civil construction industry and looks after the overall management of the entity. He is supported by a team of experienced professionals. Being in the industry for long period, Mr. Choudhary has built-up long-standing relationship with its clients and the entity is deriving benefits out of these.

Comfortable capital structure with satisfactory debt coverage indicators: The overall gearing ratio has improved to 0.11x as on Mar.31, 2021 on account of repayment of equipment loans coupled with nil utilization of working capital limits as on Balance sheet. Interest coverage ratio also improved in FY21 on account of low interest expenses due to reduction in interest rates along with lower utilization of fund-based limits.

Liquidity: Adequate

The entity has adequate liquidity position with gross cash accruals of Rs.5.50 crore generated in FY21 as against Rs.1.93 crore scheduled repayment obligation. Further it has investments of Rs.5.89 crore in National saving certificates, mutual funds, fixed deposits and has free cash and cash equivalent of Rs.1.61 crore as on March 31, 2021. The average utilization of fund-based limit was around 80% during last 12 months ended July 21. As per the discussion with the banker, the entity has not availed any covid moratorium/deferment on interest and also has not availed any loan under Guaranteed Emergency Credit line. Going forward the cash accruals are expected to be sufficient to meet the debt obligations. While debtors and inventory increased in FY21 due to slowdown owing to on-going covid pandemic, creditors witnessed increase leading to positive cash flow from operations in FY21. Moreover, as per management, debtors reduced to Rs.2.30 crore as on August 23, 2021.

Analytical approach: Standalone

Applicable Criteria

[Criteria on assigning 'outlook' and 'credit watch'](#)

[Rating Methodology – Construction Sector](#)

[Financial ratios – Non-Financial Sector](#)

[Criteria for Short Term Instruments](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

[CARE's Policy on Default Recognition](#)

About the Company

Subhash Singh Choudhary (SSC) was established in 1992 as a proprietorship entity by Mr. Subhash Singh Choudhary. Since its inception, the entity has been engaged in civil construction business like construction of bridges, roads, block buildings, etc. SSC has been enlisted as Class-I contractor in composite category by Central Public Works Department, Government of India which enables the entity to participate in higher value contracts. Further the entity also does sub-contracting works for various large contractors.

Brief Financials (Rs. crore)	FY20 (A)	FY21 Prov.)
Total operating income	89.95	77.33
PBILDT	6.87	6.07
PAT	4.80	4.39
Overall gearing (times)	0.39	0.11
Interest coverage (times)	8.77	10.76

A: Audited, prov.- Provisional

The entity has earned a turnover of Rs.23.19 crore during 4MFY22.

Status of non-cooperation with previous CRA: Non-cooperation from CRISIL ratings as per its press release dated July 23, 2021.

Any other information: Not applicable

Rating History for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated for this company: 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	-	-	-	6.00	CARE BB+; Stable
Non-fund-based - ST-Bank Guarantees	-	-	-	19.00	CARE A4+

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	-	-	-	-	1)Withdrawn (03-Feb-20) 2)CARE BB-; Stable; ISSUER NOT COOPERATING* (03-Feb-20) 3)CARE BB-; Stable; ISSUER NOT COOPERATING* (12-Jul-19)	1)CARE BB; Stable; ISSUER NOT COOPERATING* (18-Jan-19)
2.	Non-fund-based - ST-Bank Guarantees	ST	-	-	-	-	1)Withdrawn (03-Feb-20) 2)CARE A4; ISSUER NOT COOPERATING* (03-Feb-20) 3)CARE A4; ISSUER NOT COOPERATING* (12-Jul-19)	1)CARE A4; ISSUER NOT COOPERATING* (18-Jan-19)
3.	Fund-based - LT-Cash Credit	LT	6.00	CARE BB+; Stable	-	1)CARE BB+; Stable (25-Mar-21)	-	-
4.	Non-fund-based - ST-Bank Guarantees	ST	19.00	CARE A4+	-	1)CARE A4+ (25-Mar-21)	-	-

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: Not applicable**Annexure 4: Complexity level of various instruments rated for this company**

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. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Contact us

Media Contact

Mradul Mishra

Contact no. – +91-22-6754 3573

Email ID – mradul.mishra@careratings.com

Analyst Contact

Group Head Name – Anil More

Group Head Contact no.- 033-4018-1623

Group Head Email ID- anil.more@careratings.com

Relationship Contact

Name: Anwesa Mukhopadhyay

Contact no.: +91-9830131823

Email ID: anwesa.mukhopadhyay@careratings.com

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