

ISC Projects Private Limited

March 06, 2018

Ratings

Facilities	Amount (Rs. crore)	Ratings ¹	Rating Action
Long/Short-term Bank Facilities	10.00 (enhanced from 6)	CARE BBB; Stable/ CARE A3 (Triple B; Outlook: Stable/ A Three)	Reaffirmed
Short-term Bank Facilities	60.00 (enhanced from 43.99)	CARE A3 (A Three)	Reaffirmed
Total facilities	70.00 (Rupees Seventy crore only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of ISC Projects Private Limited (IPPL) continue to derive strength from the extensive experience of the promoters in the industry and long track record of operations comfortable capital structure & debt coverage indicators, healthy order book position and presence of price escalation clause in the contracts insulating the company from volatility in the raw materials prices.

The ratings, however, continue to be constrained on account of the relatively modest scale of operations, concentrated order book position along with project execution risk inherent in various infrastructure projects. Furthermore, IPPL's presence in a highly competitive & fragmented industry also constrains the ratings. The ability of the company to bag new orders and timely execution of its order book, improvement in profitability and efficient working capital management are the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Strengths

Extensive experienced of the promoters: The company is promoted by Mr. Indrajeet Chhabra (*Managing Director*), a first generation entrepreneur having extensive experience of more than four and half decades. He is ably supported by Mr Kulmeet Chhabra and Mr Jameet Chhabra, having about two decades of experience and responsible for overall project execution and business development respectively.

Long standing association with reputed clientele: The company is engaged in executing orders for the railways for over four decades and has developed long standing association with its clients viz. various zones of Indian Railways, Maharashtra State Power Generation Company Limited, Madhya Pradesh State Power Generation Company Limited and Chhattisgarh State Power Generation Company Limited.

Comfortable capital structure and debt service coverage indicators: The capital structure of the company remained comfortable on account of lower utilization of working capital bank borrowings. Moreover, lower reliance on debt with comfortable cash accruals led by moderate profit margins resulted in strong and debt coverage indicators. The overall gearing stood at 0.52x as on March 31, 2017.

Healthy order book position: IPPL has a healthy outstanding order book position of 5.01x the total operating income for FY17 which is to be executed over a period of 24 months providing only medium-term revenue visibility. Furthermore, timely execution of these projects would be critical for maintaining adequate cash flows of the company.

Comfort from price escalation clause in all the contracts: The company is majorly insulated from any volatility in the input prices of raw materials as most of the contracts have a built-in price variation clause for change in raw material prices owing to the long tenure of the project. However, the contracts with shorter tenure lack such variation clause.

Key Rating Weaknesses

Modest scale of operations: The scale of operations remained modest with a total operating income (TOI) and net-worth base of Rs.128.83 crore and Rs.33.79 crore as on March 31, 2017. The modest capital base restricts the financial flexibility of the company.

Moderate profitability margins: The PBILDT margin has improved in FY17, however, remains in a moderate range of 8-10% during last three years. Moreover, PAT margin has also seen an improvement and stood at 7.50% - 5.50%.

Project execution risk inherent in various infrastructure projects: The current outstanding order book consists of projects awarded by power generation companies requiring the railway infrastructure in the regions of Gujarat, Chhattisgarh, Punjab, Andhra Pradesh, Jharkhand and Maharashtra, apart from those projects awarded by Indian railways and its

companies. Given the nature of projects awarded, IPPL is exposed to inherent risk in terms of delays in certain projects undertaken by the company due to delay in approvals and sanction from regulatory bodies land acquisition issues, thus exposing IPPL towards the risk of delay in projects resulting in a delay in the realization of revenue growth

Fragmented nature of business: The construction industry is fragmented in nature with a large number of medium scale players present at regional level. This coupled with the tender-driven nature of construction contracts poses huge competition and puts pressure on the profit margins of the players. However, the business from the railways is high entry barrier due to requirement of technical knowhow and also a long track of successfully execution with railways is required for winning the bids.

Analytical Approach: Standalone

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings](#)

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

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

About the Company

IPPL was established in the year 1967 as a proprietorship firm in the name of 'M/s. Indrajit Singh Chhabra' and was subsequently reconstituted as a private limited company in the year 2008. It is a closely held company promoted by Mr. Inderjeet Chhabra, Managing Director and his sons Mr. Kulmeet Chhabra and Mr. Jameet Chhabra.

IPPL is engaged in railway construction projects which involve execution of work contracts such as laying and linking of railway tracks, construction of railway sidings, track renewal and repair work, earthwork, construction of platforms for both Indian Railways and its various zones in Maharashtra, Punjab, Chhattisgarh and Andhra Pradesh as well as for public and private companies the company also has a windmill installed in Jaisalmer, Rajasthan.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	82.75	128.83
PBILDT	6.23	12.59
PAT	2.82	7.16
Overall gearing (times)	0.49	0.52
Interest coverage (times)	5.10	12.19

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History (Last three years): Please refer Annexure-2

Note on complexity levels of the rated instrument: CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.

Analyst Contact

Name: Ms Amita Yadav

Tel: 020 40009012

Email: amita.yadav@careratings.com

****For detailed Rationale Report and subscription information, please contact us at www.careratings.com**

About CARE Ratings:

CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Disclaimer

CARE's ratings are opinions on credit quality and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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
LT/ST Fund-based/Non-fund-based- CC/BG	-	-	-	10.00	CARE BBB; Stable / CARE A3
Non-fund-based - ST-BG/LC	-	-	-	60.00	CARE A3

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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	LT/ST Fund-based/Non-fund-based- CC/BG	LT/ST	10.00	CARE BBB; Stable / CARE A3	-	1)CARE BBB; Stable (31-Dec-16)	1)CARE BBB (05-Jan-16)	1)CARE BBB (06-Aug-14)
2.	Non-fund-based - ST-BG/LC	ST	60.00	CARE A3	-	1)CARE A3 (31-Dec-16)	1)CARE A3 (05-Jan-16)	1)CARE A3 (06-Aug-14)
3.	Non-fund-based - ST-Proposed non fund based limits	-	-	-	-	1)CARE A3 (31-Dec-16)	-	-

CONTACT**Head Office Mumbai**

Ms. Meenal Sikchi
 Cell: + 91 98190 09839
 E-mail: meenal.sikchi@careratings.com

Mr. Ankur Sachdeva
 Cell: + 91 98196 98985
 E-mail: ankur.sachdeva@careratings.com

Ms. Rashmi Narvankar
 Cell: + 91 99675 70636
 E-mail: rashmi.narvankar@careratings.com

Mr. Saikat Roy
 Cell: + 91 98209 98779
 E-mail: saikat.roy@careratings.com

CARE Ratings Limited**(Formerly known as Credit Analysis & Research Ltd.)**

Corporate Office: 4th Floor, Godrej Coliseum, Somaiya Hospital Road, Off Eastern Express Highway, Sion (East), Mumbai - 400 022
 Tel: +91-22-6754 3456 | Fax: +91-22-6754 3457 | E-mail: care@careratings.com

AHMEDABAD

Mr. Deepak Prajapati
 32, Titanium, Prahaladnagar Corporate Road,
 Satellite, Ahmedabad - 380 015
 Cell: +91-9099028864
 Tel: +91-79-4026 5656
 E-mail: deepak.prajapati@careratings.com

HYDERABAD

Mr. Ramesh Bob
 401, Ashoka Scintilla, 3-6-502, Himayat Nagar,
 Hyderabad - 500 029.
 Cell : + 91 90520 00521
 Tel: +91-40-4010 2030
 E-mail: ramesh.bob@careratings.com

BENGALURU

Mr. V Pradeep Kumar
 Unit No. 1101-1102, 11th Floor, Prestige Meridian II,
 No. 30, M.G. Road, Bangalore - 560 001.
 Cell: +91 98407 54521
 Tel: +91-80-4115 0445, 4165 4529
 Email: pradeep.kumar@careratings.com

JAIPUR

Mr. Nikhil Soni
 304, Pashupati Akshat Heights, Plot No. D-91,
 Madho Singh Road, Near Collectorate Circle,
 Bani Park, Jaipur - 302 016.
 Cell: +91 – 95490 33222
 Tel: +91-141-402 0213 / 14
 E-mail: nikhil.soni@careratings.com

CHANDIGARH

Mr. Anand Jha
 SCF No. 54-55,
 First Floor, Phase 11,
 Sector 65, Mohali - 160062
 Chandigarh
 Cell: +91 85111-53511/99251-42264
 Tel: +91- 0172-490-4000/01
 Email: anand.jha@careratings.com

KOLKATA

Ms. Priti Agarwal
 3rd Floor, Prasad Chambers, (Shagun Mall Bldg.)
 10A, Shakespeare Sarani, Kolkata - 700 071.
 Cell: +91-98319 67110
 Tel: +91-33- 4018 1600
 E-mail: priti.agarwal@careratings.com

CHENNAI

Mr. V Pradeep Kumar
 Unit No. O-509/C, Spencer Plaza, 5th Floor,
 No. 769, Anna Salai, Chennai - 600 002.
 Cell: +91 98407 54521
 Tel: +91-44-2849 7812 / 0811
 Email: pradeep.kumar@careratings.com

NEW DELHI

Ms. Swati Agrawal
 13th Floor, E-1 Block, Videocon Tower,
 Jhandewalan Extension, New Delhi - 110 055.
 Cell: +91-98117 45677
 Tel: +91-11-4533 3200
 E-mail: swati.agrawal@careratings.com

COIMBATORE

Mr. V Pradeep Kumar
 T-3, 3rd Floor, Manchester Square
 Puliakulam Road, Coimbatore - 641 037.
 Tel: +91-422-4332399 / 4502399
 Email: pradeep.kumar@careratings.com

PUNE

Mr. Pratim Banerjee
 9th Floor, Pride Kumar Senate,
 Plot No. 970, Bhamburda, Senapati Bapat Road,
 Shivaji Nagar, Pune - 411 015.
 Cell: +91-98361 07331
 Tel: +91-20- 4000 9000
 E-mail: pratim.banerjee@careratings.com

CIN - L67190MH1993PLC071691