

S. K. Pradhan Construction Company Private Limited

March 09, 2020

Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	2.50	CARE B-; Stable; ISSUER NOT COOPERATING* (Single B Minus; Outlook: Stable; Issuer Not Cooperating)	Revised From CARE B; Stable (Single B; Outlook : Stable); Issuer Not Cooperating based on best available information
Short-term Bank Facilities	6.00	CARE A4; ISSUER NOT COOPERATING* (A Four; Issuer Not Cooperating)	Issuer Not Cooperating; based on best available information
Total	8.50 (Rupees Eight Crore and Fifty Lakh only)		

Details of instruments/facilities in Annexure-I

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from S. K. Pradhan Construction Company Private Limited to monitor the rating vide letters/e-mails communications dated December 13, 2019, December 28, 2019, March 02, 2020 and numerous phone calls. However, despite our repeated requests, the entity has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the ratings on the basis of the publicly available information which however, in CARE's opinion is not sufficient to arrive at fair ratings. The S. K. Pradhan Construction Company Private Limited's bank facilities will now be denoted as **CARE B-; Stable/A4; ISSUER NOT COOPERATING***. Further the banker could not be contacted.

Users of these rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating.

The ratings assigned to the bank facilities of S.K. Pradhan Construction Company Private Limited (SKP) are constrained by its small scale of operation with moderate profitability margins, risk associated with participating in tenders and intense competition in the industry, working capital intense nature of business and volatility associated with fluctuation in input prices. However, the aforesaid constraints are partially offset by its experienced management with satisfactory track record of operations, satisfactory order book position and comfortable capital structure and satisfactory debt coverage indicators.

Detailed Rationale & Key Rating Drivers

Key Rating Weaknesses

Small scale of operation with moderate profitability margins

The scale of operations of the company remained small marked by total operating income of Rs.10.88 crore (Rs.9.21 crore in FY18) with a PAT of Rs.0.45 crore (Rs.0.46 crore in FY18) in FY19. Furthermore, the total capital employed has also remained low at Rs.1.80 crore as on March 31, 2019. The profitability margin of the company remained moderate marked by PBILDT margin of 8.44% (FY18: 11.60%) and PAT margin of 4.17% (FY18: 5.03%) in FY19.

Risk associated with participating in tenders and intense competition in the industry

The entity has to bid for the contracts based on tenders opened by the various public sector and government sectors. Upon successful technical evaluation of various bidders, the lowest bid is awarded the contract. The entity receives projects which majorly are of a short to medium tenure (i.e. to be completed within maximum period of eight to twelve months). Furthermore, orders are generally tender driven floated by government units indicating a risk of non-receipt of contract in a competitive industry.

Working capital intensive nature of business

The operations of the entity remained working capital intensive as the entity executes orders mainly for government sectors. The average collection period remained in the range of 29-70 days during FY17-FY19 and average inventory days remained in the range of 36-172 days during FY17-FY19 as the company majorly executes contracts for state government.

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications

*Issuer did not cooperate; based on best available information

Volatility associated with fluctuations in input prices

The major input materials for the entity are stone chips, D.I. pipe, pump, cement, bricks etc. the prices of which are volatile. This apart, any increase in labour prices will also impact its profitability being present in a highly labour intensive industry.

Key Rating Strengths

Experienced management with satisfactory track record of operations

S.K. Pradhan Construction Company Private Limited was incorporated in the year 2010 and thus having a satisfactory track record of operations. Since its inception the company is engaged in civil construction works on behalf of various public and government entities. Mr. Dig Vijay Pradhan (Director) has more than two decades of experience in civil construction industry looks after the day-to day activities of the company along with the other director Mr. Chandan Pradhan along with a team of technical and non-technical professionals who are having long experience in this industry.

Satisfactory order book position of the entity

S.K. Pradhan Construction Company Private Limited has satisfactory order book position of Rs.14.87 crore (which is 1.61x of FY18 turnover) as on February 28, 2019, which is expected to be completed by February 2020.

Comfortable capital structure and satisfactory debt coverage indicators

Capital structure of the company remained comfortable marked by debt equity and overall gearing ratios both at 0.04x and 1.10x, respectively, as on March 31, 2019. Moreover, the debt coverage indicators remained comfortable during last three years (FY17-FY19). Furthermore, the interest coverage ratio remained satisfactory during last three years and stood at 5.14x in FY19. The total debt to GCA remained satisfactory at 3.52x in FY19.

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

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

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

[Rating Methodology – Construction Sector](#)

[Criteria for Short Term Instruments](#)

About the Company

S.K. Pradhan Construction Company Private Limited was incorporated in the year 2010 with its office located at Ranchi, Jharkhand. Since its inception, the entity has been engaged in civil construction business in the segment like roads, bridges, pipeline and water tank. Further, the entity is also classified as class 'I' contractor in civil (B&R) under the department of PWD of Jharkhand. Class 'I' contractor can bid for all types and higher value of contracts of Public Works Department (PWD) in Jharkhand. The entity is also engaged in contractor business with RNB, Government of Odisha. Mr. Dig Vijay Pradhan (Director) has more than two decades of experience in civil construction industry looks after the day-to day activities of the company along with the other director Mr. Chandan Pradhan along with a team of technical and non-technical professionals who are having long experience in this industry.

Brief Financials (Rs. crore)	FY18 (A)	FY19 (A)
Total operating income	9.21	10.88
PBILDT	1.07	0.92
PAT	0.46	0.45
Overall gearing (times)	0.43	1.10
Interest coverage (times)	3.01	5.14

A: Audited

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable.

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

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	-	-	-	2.50	CARE B-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE B; Stable on the basis of best available information
Non-fund-based - ST-Bank Guarantees	-	-	-	6.00	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information

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 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017
1.	Fund-based - LT-Cash Credit	LT	2.50	CARE B-; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE B; Stable on the basis of best available information	1)CARE B; Stable (17-May-19)	-	-	-
2.	Non-fund-based - ST-Bank Guarantees	ST	6.00	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	1)CARE A4 (17-May-19)	-	-	-

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.

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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.

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