

S. K. Pradhan Construction Company Private Limited

May 17, 2019

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	2.50	CARE B; Stable (Single B ; Outlook: Stable)	Assigned
Short-term Facilities	6.00	CARE A4 (A Four)	Assigned
Total	8.50 (Rupees Eight crore and Fifty Lakh only)		

*Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

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.

Going forward, ability to increase its order book position, scale of operation, ability to execute orders within stipulated time period and ability to manage working capital effectively are the key rating sensitivities.

Detailed description of the 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.9.21 crore (Rs.1.49 crore in FY17) with a PAT of Rs.0.46 crore (Rs.0.26 crore in FY17) in FY18. Further, the company has booked turnover of around Rs.15.00 crore during 11MFY19. Improvement in turnover in FY18 over FY17 was mainly on account of higher amount work order executed during the period. Furthermore, the total capital employed has also remained low at Rs.1.93 crore as on March 31, 2018. The profitability margin of the company remained moderate marked by PBILDT margin of 11.60% (FY17: 27.15%) and PAT margin of 5.03% (FY17: 17.52%) in FY18.

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 29-45 days during FY17-FY18 and average inventory days remained in the range of 36-172 days during FY17-FY18 as the company majorly executes contracts for state government. Accordingly, the average utilization of working capital was on the higher side at around 80% during last 12 months ended February, 2019.

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

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

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 0.10x and 0.43x, respectively, as on March 31, 2018. Moreover, the debt coverage indicators remained comfortable during last three years (FY16-FY18). Furthermore, the interest coverage ratio remained satisfactory during last three years and stood at 3.01x in FY18. The total debt to GCA remained satisfactory at 1.04x in FY18.

Liquidity

The liquidity position of the company remained moderate marked by cash and bank balance amounting to Rs.1.15 crore remaining outstanding as on March 31, 2018. The Gross cash accruals also remained moderate at Rs.0.55 crore as on March 31, 2018. Current ratio of 0.87x and quick ratio of 0.69x, respectively, as on March 31, 2018.

Analytical approach: Standalone

Applicable Criteria

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

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

[Criteria for Short Term Instruments](#)

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

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)	FY17 (A)	FY18 (A)
Total operating income	1.49	9.21
PBILDT	0.41	1.07
PAT	0.26	0.46
Overall gearing (times)	0.56	0.43
Interest coverage (times)	4.50	3.01

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

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
Non-fund-based - ST-Bank Guarantees	-	-	-	6.00	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 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	-	-	-	-
2.	Non-fund-based - ST-Bank Guarantees	ST	6.00	CARE A4	-	-	-	-

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.

Contact us

Media Contact

Mradul Mishra

Contact no. – +91-22-6837 4424

 Email ID – mradul.mishra@careratings.com
Analyst Contact:

Name: Soumen Das

Contact No.: 033-40581907

 Email: soumen.das@careratings.com
Business Development Contact

Name: Sambit Das

Contact no. : 033 4058 1904

 Email ID: sambit.das@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.

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