

January 27, 2025

C S Construction Company Private Limited: Rating assigned

Summary of rating action

Instrument*	Current Rated Amount (Rs. crore)	Rating Action
Long-term – Fund-based – Others	59.00	[ICRA]A (Stable); assigned
Long-term – Non-fund based – Others^	791.00	[ICRA]A (Stable); assigned
Total	850.00	

*Instrument details are provided in Annexure-I; ^include interchangeable fund-based limits

Rationale

The rating assigned to the bank facilities of C S Construction Company Private Limited (CSCCPL) favourably factors in the company's established track record in the construction industry, executing strategic and tunnelling works, primarily for the Central Government agencies with a low counterparty risk, including Defence Research and Development Organisation (DRDO), Ministry of Defence (MoD), Border Roads Organisation (BRO) and Ministry of Road Transport and Highways (MoRTH). The rating favourably considers the order book (OB) of Rs. 2,091 crore as on November 30, 2024, which translates into 2.6 times of its operating income (OI) in FY2024, providing a healthy medium-term revenue visibility with an average execution period of ~3 years. Moreover, the company is expecting incremental order inflows of over Rs. 3,000 crore in 12-15 months, which should aid its OB and improve revenue visibility.

The rating reflects a healthy financial risk profile with sustained operating margins of ~11.0% and adequate coverage metrics with interest coverage at 5.3 times in FY2024 (FY2023: 3.3 times). ICRA is given to understand that non-interest bearing unsecured loans of directors/promoters, to the extent of Rs. 60.2 crore, shall remain invested over a long-term in the company, which will support the liquidity profile as well as limit reliance on external debt. Supported by strong order inflows and healthy execution, CSCCPL's revenues witnessed a strong YoY growth of 68% to Rs. 802.0 crore in FY2024. Owing to delayed ramp-up in one of its projects, the revenue growth is likely to remain flat in FY2025e. However, it is likely to report a turnover of Rs. 900-1,100 crore in FY2026e. ICRA expects the company's coverage metrics to remain comfortable with interest cover likely to remain above 4.5 times going forward.

The rating is, however, constrained by the company's relatively moderate scale of operations and leverage metrics (TOL/TNW of 1.6 times as on March 31, 2024). Over the last three years, CSCCPL availed project-related mobilisation advance term loans (MATLs) from banks in lieu of mobilisation advances from customers owing to lower interest rates, which has increased its overall borrowings. Historically, higher billing and execution during the last quarter of the financial year results in higher receivables and inventory, leading to high working capital intensity. Consequently, its ability to maintain a healthy cash conversion cycle, with timely realisation of receivables, remains crucial from the credit perspective.

CSCCPL remains exposed to execution risks associated with the contract, as around 60% of the orders are in the early stages of execution with less than 20% progress as of November 2024. The rating factors in the high client and project concentration risks as it derives revenues primarily from the projects undertaken for the MoD, BRO and National Highways Authority of India (NHAI) with top five projects constituting ~74% of the pending order book as on November 30, 2024. However, the presence of reputed counterparties and adequate billing progress in the key projects mitigates the concentration risk to some extent. The rating notes the company's exposure to sizeable contingent liabilities in the form of bank guarantees, mainly for contractual performance, mobilisation advances and retention money. Nonetheless, ICRA draws comfort from its execution track record and absence of invocation of guarantees in the past.

The Stable outlook on the long-term rating reflects ICRA's opinion that CSCCPL will be able to maintain its revenue growth over the medium term, backed by a healthy OB position, while sustaining leverage and coverage metrics commensurate with its rating level.

Key rating drivers and their description

Credit strengths

Established track record in executing niche and strategic works for MoD; reputed client profile – CSCCPL has been executing strategic projects for the MoD for over two decades and has undertaken strategic works (including tunnel works) for BRO and NHAI. Its healthy execution track record has helped it improve its bidding eligibility across reputed authorities and aided the company in securing repeat and fresh orders. A strong and reputed clientele enables timely receipt of payments, which is expected to support the company's cash flows and liquidity position. ICRA notes that the company's core competency lies in strategic/ defence works and no significant segment diversification is planned. It has exclusive tie-ups with some international vendors for the supply of critical equipment, which improves its competitive position. Moreover, CSCCPL has a team of qualified and technical personnel, who have been associated with the company for around two decades.

Healthy order book position, providing medium term revenue visibility – CSCCPL's had an outstanding OB of Rs. 2,091 crore as on November 30, 2024, translating into OB/FY2024 OI of 2.6 times, which provides healthy medium-term revenue visibility. This OB is geographically diversified with projects spread across Jammu and Kashmir (J&K), Uttar Pradesh (UP), Assam, Madhya Pradesh and Karnataka, among others. The company's revenues witnessed a strong YoY growth of 68% to Rs. 802.0 crore in FY2024 and is likely to witness CAGR of around ~10% during FY2025-FY2027, on the back of healthy order inflow and expected improvement in execution.

Stable operating profitability and adequate coverage metrics – The company's operating profitability has sustained at 10-11% for the past three years that ended in FY2024, despite the raw material price variation risk. While the risk stands largely mitigated, with all the ongoing contracts having provision for price variation of key raw materials such as cement and steel, the impact of the same on its operating margins remains to be seen. CSCCPL's interest coverage remains adequate, at around 5.3 times in FY2024 (FY2023: 3.3 times). The same led to growth in revenues with sustained OPM, infusion of sizeable interest-free unsecured loans (~Rs. 60 crore outstanding as on date, infused over the last two years) and shift from high interest-bearing advances from customers to relatively low interest-bearing project-related MATLs from banks. The interest cost is expected to remain at similar levels going forward, supporting the coverage metrics in the medium term. ICRA notes that the high repayments of MATLs keep the debt service coverage ratio (DSCR) subdued. However, the project receipts-linked repayment (before such receipts are utilised for other operations) directly through an escrow account offers comfort.

Credit challenges

Concentrated order book with average execution risk – CSCCPL's pending OB is concentrated on few projects from the MoD, BRO and NHAI, with top five projects accounting for ~74% of the pending order book as on November 30, 2024. It remains exposed to the execution risk associated with the contracts as around 60% of the orders are in the early stages of execution with less than 20% progress. CSCCPL, like any other construction company, is vulnerable to risks inherent in the construction sector such as time and cost overruns, slowdown in new order inflows and high exposure to non-fund based limits vis-à-vis its net worth. The company's ability to timely complete the projects will remain crucial to meet the contractual obligations and receive repeat orders in future.

Moderate leverage – Over the last three years, CSCCPL has shifted to project-related MATLs from the working capital lenders, instead of advances from customers yielding savings in interest costs. However, this has led to high overall borrowings, with TOL/TNW of 1.6 times as on March 31, 2024. The promoters/directors have infused long-term non-interest bearing unsecured loans to support scale-up in operations. Excluding the same, the TOL/TNW remained adequate at around 1.3 times as on March 31, 2024.

Sectoral risks including sizeable non-fund based exposure – CSCCPL is exposed to the cyclical nature inherent in the construction industry and intense competition in the tender-based contract award system, resulting in volatility in revenues and pressure on margins. However, limited players with requisite technical qualification in the niche defence works and its long presence and established relationship with the clients offer a competitive advantage to CSCCPL. The company is exposed to sizeable contingent liabilities in the form of bank guarantees (~Rs. 418 crore as of September 2024), mainly towards performance guarantee, mobilisation advance and retention money. Nonetheless, ICRA draws comfort from its healthy execution track record and no invocation of guarantees in the past.

Liquidity position: Adequate

CSCCPL's liquidity is expected to remain adequate, with healthy cash flows from operations, supported by free cash and bank balances of Rs. 48.5 crore and cushion available in the form of unutilised working capital limits (FB: ~Rs. 88 crore and NFB: ~Rs. 123 crore as on September 30, 2024). The average utilisation of its fund-based and non-fund-based limits during the 12-month period that ended as on October 30, 2024 was 32% and 80%, respectively. The company has repayment obligations of ~Rs. 46 crore, majority of which pertains to repayment of MATL directly from project receipts and modest capex plans of Rs. 10.0-20.0 crore p.a. The estimated cash flows from operations, along with lines of credit available are likely to be sufficient to meet these obligations. In addition, it enjoys flexibility to avail mobilisation advances against BGs.

Rating sensitivities

Positive factors – Significant increase in scale of operations, along with improvement in operating profitability and working capital intensity, yielding better liquidity and coverage metrics, may trigger a rating upgrade.

Negative factors – Significant delays in project execution, leading to a decline in its scale and operating profitability, or any sizeable debt-funded capital expenditure, or a sustained increase in working capital cycle impacting its liquidity and credit metrics could put pressure on the rating. Specific credit metrics that could lead to a rating downgrade include TOL/TNW over 1.4 times or interest coverage below 4 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology Construction
Parent/Group support	Not Applicable
Consolidation/Standalone	The rating is based on the company's standalone financial statements.

About the company

Incorporated in 2005, CSCCPL is a Delhi-based engineering/construction company engaged in the tender-based civil and electrical engineering works of strategic nature, primarily for DRDO and MoD. Over the years, the company has undertaken contracts for BRO. It was founded and promoted by Ashok Bhuchar and its affairs are currently managed by his three sons viz., Rahul Bhuchar, Rohit Bhuchar and Rishi Bhuchar. The company is enlisted with DRDO in Class-I (Super) of Composite Category with unlimited tendering limit, and as 'SS' class contractor (Super Special – unlimited tendering limit, for January 2021 to December 2025) for Military Engineer Services (MES).

Key financial indicators (audited)

Standalone	FY2023	FY2024
Operating income (OI)	477.2	802.0
PAT	24.3	47.2
OPBDIT/OI (%)	11.0%	10.9%
PAT/OI (%)	5.1%	5.9%
Total outside liabilities/Tangible net worth (times)	1.6	1.6
Total debt/OPBDIT (times)	3.1	2.3
Interest coverage (times)	3.3	5.3

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amounts in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for past three years

Current (FY2025)					Chronology of rating history for the past 3 years					
		FY2025			FY2024		FY2023		FY2022	
Instrument	Type	Amount Rated (Rs. crore)	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Fund-based – Others	Long-Term	59.00	Jan 27, 2025	[ICRA]A (stable)	-	-	-	-	-	-
Non-fund based – Others	Long-Term	791.00	Jan 27, 2025	[ICRA]A (stable)	-	-	-	-	-	-
Fund based – Overdraft	Long-Term	-	Apr 12, 2024	[ICRA]BB+(Stable) ISSUER NOT COOPERATING; Withdrawn	Feb 29, 2024	[ICRA]BB+(Stable) ISSUER NOT COOPERATING	Dec 30, 2022	[ICRA]A-(Stable)	Sep 23, 2021	[ICRA]A-(Stable)
Non-fund based – Bank guarantee	Long-Term	-	Apr 12, 2024	[ICRA]BB+(Stable) ISSUER NOT COOPERATING; Withdrawn	Feb 29, 2024	[ICRA]BB+(Stable) ISSUER NOT COOPERATING	Dec 30, 2022	[ICRA]A-(Stable)	Sep 23, 2021	[ICRA]A-(Stable)

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term – Fund-based – Others	Simple
Long-term – Non-fund based – Others	Very Simple

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Long-term – Fund-based – Others	NA	NA	NA	59.00	[ICRA]A (Stable)
NA	Long-term – Non-fund based – Others^	NA	NA	NA	791.00	[ICRA]A (Stable)

Source: Company, ICRA Research; ^include interchangeable fund-based limits

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis – Not Applicable

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