

October 21, 2021

## Chevrox Constructions Pvt. Ltd.: Ratings reaffirmed

### Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund-based – Cash credit/Overdraft/Others	20.00	13.00	[ICRA]BBB- (Stable); reaffirmed
Non-fund based – Bank guarantee/Letter of credit	88.00	117.00	[ICRA]A3; reaffirmed
Unallocated Limits	22.00	0.00	-
<b>Total</b>	<b>130.00</b>	<b>130.00</b>	

\*Instrument details are provided in Annexure-1

### Rationale

The reaffirmation of ratings for Chevrox Constructions Pvt. Ltd. (Chevrox) takes into account healthy order book position of Rs. 819 crore as of March 31, 2021 and receipt of new orders of Rs. 404 crore in 7M FY2022, which provides revenue visibility for the medium term. The ratings also factor in the geographically diversified order book with projects spread across five states, established track record of Chevrox in the civil construction business and its strong business linkage to its Group concern, Iron Triangle Limited (ITL; rated [ICRA]A(Stable)/[ICRA]A1). The ratings consider the company's Special Category-II (Building) registration with the State Government of Gujarat, along with its strategic tie-ups with several leading construction companies, which aids in sourcing engineering, procurement and construction (EPC) contracts.

The ratings are, however, constrained by Chevrox's moderate scale operations with revenues of Rs. 220.9 crore in FY2021 and high project concentration of the order book with top five projects accounting for 75% of the order book as on March 31, 2021. The ratings are also constrained by execution risks associated with the order book given that 45% of the order book is in initial stages of execution (<10% completion). The ratings also factor in the moderate financial risk profile with TOL/TNW of 3.3 times as of March 31, 2021, and interest coverage of 3.8 times.

The Stable outlook on the [ICRA]BBB- rating reflects ICRA's opinion that the company will continue to benefit from linkage with its strong promoter group, thereby aiding moderate revenue growth backed by its healthy order book position whilst maintaining its profitability margins.

### Key rating drivers and their description

#### Credit strengths

**Healthy order book provides medium-term revenue visibility** – The company has order book of Rs. 819 crore (order book to FY2021 operating income ratio at ~3.7 times) as of March 31, 2021 providing medium term revenue visibility. Chevrox received Rs 404 crore orders in 7M FY2022 which further improved the revenue visibility.

**Established track record in the civil construction sector** – Chevrox has a strong business linkage to ITL, which is co-promoted by Mr. Kishor Viramgama. A significant proportion of Chevrox's work was sub-contracted to it by ITL. Apart from this, Chevrox has strategic tie-ups with several other construction companies and receives work on subcontract basis or through joint venture (JV). The company has adequate infrastructure in terms of construction machinery and skilled manpower resulting in satisfactory in-house project planning and execution capabilities.

**Geographically diversified order book** – Chevrox has been able to improve its geographic diversification over the years with its current order book comprising orders from five states. The concentration of projects in Chhattisgarh to its total order book stood at 32% as on March 31, 2021, followed by Bihar (20%), Karnataka and Odisha (18% each) and Rajasthan (13%).

## Credit challenges

**Moderate scale of operations** – Chevrox scale of operations remains moderate with revenues of Rs. 220.9 crore in FY2021. The revenues improved by 68% in FY2021 owing to improved order execution and is estimated to witness revenues of more than Rs. 300 crore for FY2022 on the back of healthy order book and execution.

**High project concentration risk** – The project concentration risk is high with top five orders accounting for ~75% of order book as on March 31, 2021. Any slowdown in project execution may affect the revenues of the company as witnessed in the past. Although 45% of the order book has projects where the execution progress is less than 10% of the total work as of March 31, 2021, the execution risks are mitigated to an extent with moderate billings in H1FY2022 in these projects. Further, the company received Rs. 404 crore of new orders in 7M FY2022 where the work is yet to commence.

**Moderation financial risk profile** – The debt levels of the company increased from Rs. 33.6 crore in FY2019 to Rs. 53.6 crore in FY2020 and further to Rs. 64.8 crore in FY2021 owing to substantial debt-funded equipment purchase and higher working capital borrowings. Further, TOL/TNW is also high at 3.3 times as of March 31, 2021 owing to sizeable mobilisation advances and trade payables. Going forward, the leverage and debt protection metrics are likely to improve on the back of expected improvement in project execution and absence of major debt-funded capex plans.

## Liquidity position: Adequate

The company's liquidity position is **adequate** with cash flow from operations expected to be sufficient to meet the debt servicing obligations. This apart, it has unencumbered cash and liquid investments of Rs. 9.33 crore as on September 30, 2021. Although average working capital limit utilisation remained high in the past six months ending September 2021, enhancement in working capital limits is expected to support its funding requirements in the near term. The liquidity position is also expected to be supported by low capex plans of ~Rs. 10.00 crore for FY2022

## Rating sensitivities

**Positive factors** – ICRA may upgrade the ratings if Chevrox Constructions Private Limited is able to demonstrate improvement in revenues along with diversification of order book while maintaining its profitability margins. Further, improvement in the liquidity position along with TOL/TNW improving to less than 2.0 times would also support the rating upgrade.

**Negative factors** – Downgrade pressure on the ratings can arise if there is any delay in project execution, resulting in decline in revenues and profitability, or if elongation in the working capital cycle adversely impacts liquidity position. Inability to tie up working capital limits to support the revenue growth may also warrant a downgrade.

## Analytical approach

Analytical Approach	Comments
Applicable Rating Methodologies	<a href="#">Corporate Credit Rating Methodology</a> <a href="#">Rating Methodology for Construction Entities</a>
Parent/Group Support	Not Applicable
Consolidation/Standalone	The ratings are based on the standalone financial profile of the company.

## About the company

Chevrox was constituted as a private limited company in 2010 by Mr. Mit Viramgama, Mr. Subhash Patel, and Mr. Hitesh Chaniyara in Rajkot (Gujarat). Chevrox is primarily involved as an EPC contractor/sub-contractor for various building, road and infrastructure projects in Bihar, Rajasthan, Chhattisgarh, Odisha, Karnataka and Gujarat. The company also undertakes construction work for bridges, flyovers, water and waste-water treatment plants, industrial projects, pipelines, institutional and high-end real estate. It enjoys strong business linkages with the established construction company, ITL. Mr. Kishor Viramgama, a co-promoter in ITL, is the chairman of Chevrox, as well as the father of Mr. Mit Viramgama, one of the co-promoters of Chevrox.

## Key financial indicators

Chevrox Constructions Pvt. Ltd.	FY2020	FY2021(Prov.)*
Operating Income (Rs. crore)	131.6	220.9
PAT (Rs. crore)	11.0	11.0 <sup>#</sup>
OPBDIT/OI (%)	19.7%	12.7%
PAT/OI (%)	8.3%	-
Total Outside Liabilities/Tangible Net Worth (times)	3.2	3.3
Total Debt/OPBDIT (times)	2.1	2.3
Interest Coverage (times)	5.1	3.8

PAT: Profit after Tax; OPBDIT: Operating Profit before Depreciation, Interest, Taxes and Amortisation

\*FY2021 financials are provisional, <sup>#</sup>PBT

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** None

## Rating history for past three years

	Instrument	Current Rating (FY2022)				Chronology of Rating History for the past 3 years				
		Type	Amount Rated (Rs. crore)	Amount Outstanding as of Sep 30, 2021 (Rs. crore)	Date & Rating in	Date & Rating in FY2021		Date & Rating in FY2020		Date & Rating in FY2019
						Oct 21, 2021	Jan 25, 2021	Feb 06, 2020	Jun 24, 2019	Nov 19, 2018
1	Fund Based limits – CC/OD/Others	Long-term	13.00	-	[ICRA]BBB- (Stable)	[ICRA]BBB- (Stable)	[ICRA]BBB- (Negative)	[ICRA]BBB- (Stable)	[ICRA]BB+ (Stable)	
2	Non-Fund Based limits – BG/LC	Short-term	117.00	-	[ICRA]A3	[ICRA]A3	[ICRA]A3	[ICRA]A3	[ICRA]A4+	
3	Unallocated Limits	Long-term/ Short-term	-	-	-	[ICRA]BBB- (Stable)/ [ICRA]A3	[ICRA]BBB- (Negative)/ [ICRA]A3	[ICRA]BBB- (Stable)/ [ICRA]A3	-	

## Complexity level of the rated instrument

Instrument	Complexity Indicator
Fund Based limits – CC/OD/Others	Simple
Non-Fund Based limits – BG/LC	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, is available on ICRA's website: [www.icra.in](http://www.icra.in)

**Annexure-1: Instrument details**

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Fund Based limits – CC/OD/Others	-	-	-	13.00	[ICRA]BBB- (Stable)
NA	Non-Fund Based limits – BG/LC	-	-	-	117.00*	[ICRA]A3

*Source: Company \* Includes Rs. 10 crore interchangeability with fund based limit*

**Annexure-2: List of entities considered for consolidated analysis**

Not Applicable

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