March 26, 2025

Chennai Radha Engineering Works (P) Limited: Ratings reaffirmed; rated amount enhanced

Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Long-term fund-based limits – Cash credit	115.00	165.00	[ICRA]A+ (Stable); reaffirmed and assigned for the enhanced limits
Short-term fund-based limits	20.00	-	-
Long term/Short term – Non-fund based limits	230.00	280.00	[ICRA]A+ (Stable)/[ICRA]A1; reaffirmed and assigned for the enhanced limits
Long term/Short term – Sublimit^	(272.00)	(272.00)	[ICRA]A+ (Stable)/ [ICRA]A1; reaffirmed
Long term/Short term – Sublimit^	($6.6 million)	($6.6 million)	[ICRA]A+ (Stable)/ [ICRA]A1; reaffirmed
Total	**365.00**	**445.0**	

**Instrument details are provided in Annexure I*

^Sublimits under long-term/short-term non-fund based limit

Rationale

The rating action takes into consideration Chennai Radha Engineering Works (P) Limited's (CREW) established track record in providing operations and maintenance (O&M) services for bulk material handling systems, mainly at the thermal power stations and ports. The ratings also factor in a strong order book position as on January 31, 2025, providing healthy revenue visibility over the near to medium term. The outstanding order book position was at Rs. 4,513.8 crore as of January 2025 (i.e. 3.34 times of the FY2024 revenues). The revenues have improved significantly over the last three years and are expected to remain healthy, going forward, supported by a strong outstanding order book. Although the company is exposed to renewal risk for the ongoing contracts, its past track record and established relationships with reputed customers mitigate the risk to an extent.

There was some moderation in revenues in FY2024 owing to lower execution in the engineering, procurement and construction (EPC) segment compared to FY2023, though the operating profits had remained healthy at ~18%. In 9M FY2025, the topline improved with higher revenues from the O&M and the mining segments and the margins remained healthy. CREW's financial risk profile remains healthy with comfortable leverage and debt coverage metrics. The healthy operating margins along with the limited long-term debt will keep the debt coverage and leverage metrics strong over the medium term.

The ratings are, however, constrained by high customer concentration risk with ~74% of its revenues generated from its top five customers with moderately high dependence on a single customer, Tamilnadu Generation & Distribution Corporation Limited (TANGEDCO) that has a modest financial profile. However, ICRA notes the track record of regular payments from TANGEDCO to CREW as the O&M activity remains critical to its operations, which mitigates the risk to an extent.

ICRA also notes that the EPC order inflow depends on capital investments by the end-user industry and, thus, the revenues may be lumpy, linked to the execution of such projects. CREW faces competition from the larger domestic and multinational companies in this segment and its performance is also susceptible to the investment cycle in the thermal power and the port sectors. Further, the company has a high working capital-intensive operations.

ICRA also notes the income tax raid conducted on the company in September 2023. As per the management, there has been no demand notice/adverse findings from the department. Any adverse developments on the same would be a key monitorable.

The Stable outlook on the ratings reflects ICRA's opinion that CREW's revenues and accruals will be supported by its comfortable order inflow. Also, the company will continue to benefit from its established track record in the O&M of material handling systems.

Key rating drivers and their description

Credit strengths

Established player with extensive experience in O&M segment - CREW, incorporated in 1984, has a track record of more than three decades in providing O&M services (~43% of total revenues in H1 FY2025) for bulk material handling systems, especially for the coal handling and ash handling plants at the thermal power stations and ports. The company commands a healthy market share in the O&M segment, especially in the power sector. The company has further diversified into the EPC and mining sectors and built a healthy order book, providing revenue visibility for the medium term. In H1 FY2025, O&M services comprised 43% of the revenue, EPC 9%, mining 23%, and product sales, railway and mobile harbour cranes made up the rest.

Healthy order book position - The company's order book position remained strong at Rs. 4,513 crore as on January 31, 2025 (i.e. 3.34 times of FY2024 revenues), a growth of 2.3 times compared to Rs. 2,438 crore as on March 31, 2023, providing healthy revenue visibility for the near to medium term. The order book is diversified across mining (41%), O&M (31%), EPC (24%) and railways (4%). In FY2024, a major order was received from South Eastern Coalfields Limited, and the mining segment contributed Rs. 1,847.87 crore to the order book as on January 31, 2025. The O&M order book position remained healthy at Rs. 1,377 crore, primarily backed by the renewal and tenure extension of the existing contracts as well as the receipt of new orders from TANGEDCO, Paradip Port Authority and Adani Ports and Special Economic Zone. The EPC order book contributed Rs. 1,105 crore to the order book, dominated by the TANGEDCO orders. A healthy order flow and a timely renewal of the contracts due for expiry will be key to sustaining the company's revenue growth.

Comfortable financial profile and liquidity – CREW's financial profile is characterised by healthy margins and comfortable coverage indicators, aided by the company's cost control measures in the mining segment. The debt metrics remained healthy with gearing of 0.3 times as on March 31, 2024, total debt/OPBDITA of 0.9 times and NCA/total debt of 83% for FY2024. Moreover, in 9M FY2025, CREW's coverage indicators were comfortable, reflected in its interest coverage of 15.6 times. The company's liquidity position remained adequate with cash and liquid investments of Rs. 67 crore as on December 31, 2024, along with sufficient cushion in the fund-based working capital limits. The credit metrics and profitability indicators are likely to stay comfortable over the medium term with stable revenues, profits and cash accruals, backed by healthy order inflows and limited capex plans.

Credit challenges

Customer concentration risk, lumpy revenue from EPC segment; revenues exposed to cyclicality in thermal power and port sectors – The company is exposed to customer concentration risks with ~74% of its revenues generated from its top five customers as on March 31, 2024, with moderately high dependence on a single customer, TANGEDCO, that has a modest financial profile. However, ICRA notes the track record of regular payments from TANGEDCO to CREW as the O&M activity remains critical to its operations, which mitigates the risk to an extent.

The revenues generated from the EPC segment and related-product sales are volatile, given the lumpy nature of the contracts in this segment. Further, this segment may face execution delays due to delays in receiving the necessary approvals. Also, the order book in this segment is impacted by the capex cycle in the thermal power and the port sectors. The contracts also remain exposed to the fluctuations in raw material prices, given the fixed-price orders in the EPC segment. Nonetheless, CREW's ability to pass through the increase in raw material prices by providing certain margin in the order value mitigates the risk to an extent.

Exposure to execution risks and intense competition – CREW is exposed to execution risks of large projects in the mining segment wherein the company is relatively less experienced. It is also exposed to execution risks in the O&M segment and in the EPC segment. Further, the company's exposure to intense competition from both domestic and global players with a local presence could have an adverse impact on its profitability metrics.

Working capital-intensive nature of business – The company had a high working capital intensity of 35% in FY2024 on account of the large receivables, given the nature of its industry. The debtor days have remained in the range of 55-90 days and the inventory days have been 30-65 days over the last five fiscals.

Liquidity position: Adequate

CREW has an adequate liquidity profile, reflected in its unencumbered cash balance of Rs. 66.97 crore as on December 31, 2024, along with an average unutilised working capital limit of 60% in the last 12 months ended February 2025 and minimal capital expenditure plans. Further, the cash accruals are expected to remain adequate to cover the debt repayments.

Rating sensitivities

Positive factors – ICRA could upgrade the ratings if the company demonstrates a sustained improvement in its revenues and profitability along with a diversification in its customer profile and end-user industries, while maintaining the working capital metrics.

Negative factors – Pressure on the ratings could emerge if there is a consistent decline in profitability or revenues due to lower-than-anticipated order inflows, or if there is a substantial stretch in the working capital cycle.

Analytical approach

Analytical approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not applicable
Consolidation/Standalone	The ratings are based on the standalone financial statements

About the company

CREW was established as a proprietorship entity in 1984, before being converted into a private limited company in 2005. The company supplies O&M services and undertakes turnkey projects on an EPC basis for bulk material handling systems, mainly for ports and thermal power stations. In recent years, the company's order book has majorly consisted of mining, O&M and EPC orders. It also provides support services like stevedoring and operating mobile harbour cranes at the Paradip and Karaikal ports and offers support services for surface mining. CREW also handles the installation of electrical equipment and wiring works, interior furnishing works and testing works for railway coaches. CREW's facility is near Ponneri, Chennai.

Key financial indicators

CREW	FY2023	FY2024	9MFY2025*
Operating income	1530.1	1350.2	1147.7
PAT	115.5	140.8	116.3
OPBDIT/OI	12.9%	18.2%	17.8%
PAT/OI	7.5%	10.4%	10.1%
Total outside liabilities/Tangible net worth (times)	0.4	0.4	-
Total debt/OPBDIT (times)	0.7	0.9	-
Interest coverage (times)	12.5	16.4	15.6

*Source: Company, ICRA Research; * Provisional numbers; All ratios as per ICRA's calculations; Amount 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

	Instrument	Current rating (FY2025)				Chronology of rating history for the past 3 years			
		Type	Amount rated (Rs. crore)	Date & rating in FY2025		Date & rating in FY2023		Date & rating in FY2022	Date & rating in FY2021
				March 26, 2025	June 28, 2024	Mar 09, 2023	Mar 06, 2023	Mar 21, 2022	Jan 05, 2021
1	Cash credit	Long term	165.00	[ICRA]A+ (Stable)	[ICRA]A+ (Stable)	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A (Stable)	[ICRA]A (Stable)
2	Non-fund based limits	Long term and short term	280.00	[ICRA]A+ (Stable)/ [ICRA]A1	[ICRA]A+ (Stable)/ [ICRA]A1	[ICRA]A (Stable)/ [ICRA]A1	[ICRA]A (Stable)/ [ICRA]A1	[ICRA]A (Stable)/ [ICRA]A1	[ICRA]A (Stable)/ [ICRA]A1
3	Fund-based limits	Short term	-	-	[ICRA]A1	-	-	-	-
4	Sublimit*	Long term and short term	(272.00)	[ICRA]A+ (Stable)/ [ICRA]A1	[ICRA]A+ (Stable)/ [ICRA]A1	[ICRA]A (Stable)/ [ICRA]A1	[ICRA]A (Stable)/ [ICRA]A1	[ICRA]A (Stable)/ [ICRA]A1	[ICRA]A (Stable)/ [ICRA]A1
5	Sublimit*	Long term and short term	($6.6 million)	[ICRA]A+ (Stable)/ [ICRA]A1	[ICRA]A+ (Stable)/ [ICRA]A1	[ICRA]A (Stable)/ [ICRA]A1	[ICRA]A (Stable)/ [ICRA]A1	[ICRA]A (Stable)/ [ICRA]A1	[ICRA]A (Stable)/ [ICRA]A1
6	Unallocated limits	Long term and short term	-	-	-	-	-	[ICRA]A (Stable)/ [ICRA]A1	-

**Sublimit of non-fund based facility*

Complexity level of the rated instruments

Instrument	Complexity indicator
Long-term fund-based limits	Simple
Short term – Fund-based limits	Simple
Long term/Short term – Non-fund based limits	Very simple
Long term/Short term – Sublimit	Very simple
Long term/Short term – Sublimit	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 limits**	NA	NA	NA	165.00	[ICRA]A+(Stable)
NA	**Long term/Short term – Non-fund based limits**	NA	NA	NA	280.00	[ICRA]A+(Stable)/[ICRA]A1
NA	**Long term/Short term – Sublimit**	NA	NA	NA	(272.00)	[ICRA]A+(Stable)/[ICRA]A1
NA	**Long term/Short term – Sublimit**	NA	NA	NA	($6.6 million)	[ICRA]A+(Stable)/[ICRA]A1

Source: Company

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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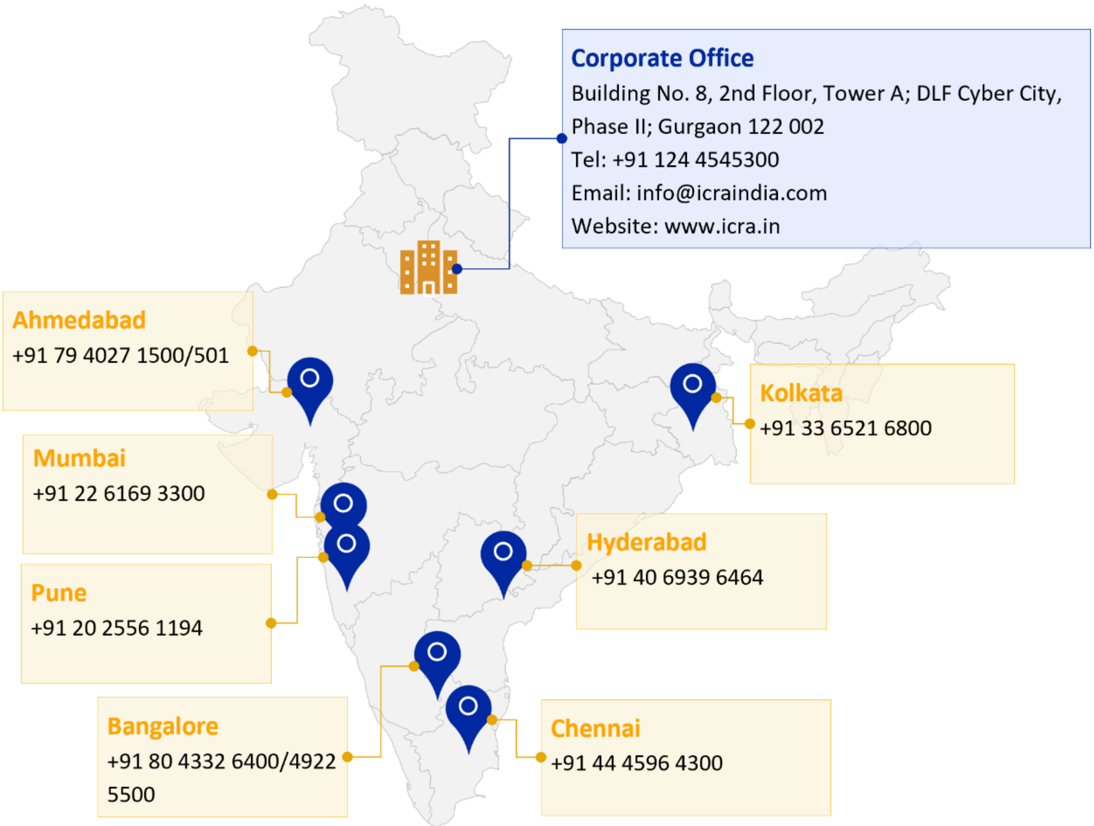

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