



Press Release

M/s. C K Constructions

April 01, 2021

Ratings

Instrument Facility /	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	3.00	IVR BB+/Stable (IVR Double B Plus with Stable Outlook)	Assigned
Long Term Bank Facilities (proposed)	3.00	IVR BB+/Stable (IVR Double B Plus with Stable Outlook)	Assigned
Short Term Bank Facilities	9.00	IVR A4+ (IVR Single A Four Plus)	Assigned
Total	15.00 (Fifteen Crores)		

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to bank facilities of C K Constructions factors experienced proprietor, comfortable capital structure and debt protection metrics, and robust order book providing revenue visibility. However, rating is constrained on account of modest scale of operations and intense competition, stiff competition and tender based contract awarding system, and susceptibility of operating margin to volatile input prices

Key Rating Sensitivities:

Upward Factors

- Substantial & sustained improvement in scale of operations leading to improvement in debt protection metrics.

Downward Factors

- Decline in scale of operations leading to deterioration in debt protection metrics

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

- Experienced and resourceful promoter:



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The promoter Mr. Karan Israni has experience of over 10 years in the civil construction industry and he looks after the overall operations of the firm. The firm has executed several projects for the state government departments in the past. M/s C K Constructions strong relationship with its clients supports healthy inflow of fresh orders.

- **Comfortable capital structure and debt protection metrics:**

The firm has comfortable capital structure as reflected in overall gearing ratio of 0.69x and long term debt equity ratio of 0.36x in FY2020. The debt protection indicators as marked by Total Debt/CGA stood at 2.15 years. The Total outside liabilities to Tangible Networth stood moderately high at 6.58x in FY2020 (3.89x in FY2019) on account of higher trade payables.

- **Robust order book providing revenue visibility**

The firm has unexecuted order book of Rs. 217.5 crores as of January 2021 which provides revenue visibility in the near to medium term. Further, the firm has received new orders worth Rs. 200 crores in the month of Feb. and March 2021 which is equal to 3x of the total operating income achieved in FY2020. Timely and effective execution of the orders are critical for the firm's earnings.

Key Rating Weaknesses

- **Modest scale of operations and intense competition:**

Scale of operations remain modest in a highly competitive and tender nature of business as reflected in turnover of Rs. 65.26 Cr during FY 20. The scale of operations and intensive competition remain a key factor in long term.

- **Stiff competition and tender based contract awarding system**

The firm faces competition from other contractors while bidding and securing construction works. The presence of a tender based contract awarding system also restricts pricing flexibility of all players in the industry.

- **Susceptibility of operating margin to volatile input prices**

Major raw materials used in civil construction activities are steel & cement and in road construction activities are stone, asphalt/bitumen and sand which are usually sourced from large players/dealers at proximate distances. The raw material & labour cost forms



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the majority chunk of the total cost of sales for the last three years. As the raw material prices & labour cost are volatile in nature, the profitability of the company is subject to fluctuation in raw material prices & labour cost. However, presences of escalation clause in most of the contracts protect the margin to an extent.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Infrastructure Companies

Financial Ratios & Interpretation (Non- Financial Sector)

Liquidity –Adequate

The company's liquidity is adequate as reflected from its Gross cash accruals of Rs. 3.02 crores in FY2020 as against maturing debt obligations of Rs. 0.47 crores. The average utilisation of working capital limits stood moderate at 44% for the past 12 months ended Dec. 2020.

About the Firm

C K Constructions (CKC) was established as a proprietorship firm with Mr. Karan Israni in 2010. The firm has its registered office in Delhi and Corporate office in Noida.

CKC is a Class I (AA) category contractor and is engaged in in civil construction works such as construction of commercial and residential buildings (corporate offices, institutions, hospitals, hotel and restaurants etc) and its entire finishing works including interior designing, plumbing, water supply, sewerage system, water drainage, internal electrical installations, firefighting system, and its related development, landscaping, and maintenance works for government undertakings and private entities.

CKC has executed projects of corporates catering to different industries as well as Government/Public undertakings. Some of the reputed names includes CPWD, DDA etc.

Financials (Standalone):

For the year ended / As on	31-03-2018	31-03-2019	31-03-2020*
	Aud.	Aud.	Aud.



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Total Operating Income	53.86	70.04	65.26
EBITDA	2.41	3.34	-1.24
PAT	1.56	1.71	1.86
Total Debt	3.74	6.65	6.50
Adjusted Tangible Net worth	8.83	8.99	9.41
Ratios			
EBIDTA Margin	4.47	4.77	-1.90
PAT Margin	2.89	2.44	2.65
Overall Gearing ratio	0.42	0.74	0.69

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Cash credit	Long-term	3.00	IVR BB+/Stable	-	-	-
2	Cash credit (proposed)	Long-term	3.00	IVR BB+/Stable	-	-	-
3	Bank Guarantee	Short-term	9.00	IVR A4+	-	-	-

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

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About Infomerics:



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Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	3.00	IVR BB+/Stable
Cash Credit (proposed)	-	-	-	3.00	IVR BB+/Stable
Bank Guarantee	-	-	-	9.00	IVR A4+