



Press Release

Civet Projects Pvt. Ltd

May 17th, 2023

Ratings

Instrument Facility	Amount (Rs. Crore)	Current Ratings	Previous Rating	Rating Action	Complexity Indicator
Long term Bank Facilities	50.00	IVR BB+/ Stable (IVR Double B Plus with Stable outlook)	IVR BB/ Stable (IVR Double B with Stable outlook)	Upgraded	Simple
Total	50.00 (Rupees Fifty Crores Only)				

Details of Facilities are in Annexure 1

Detailed Rationale

Informetrics Valuation and Rating Private Limited (IVR) has upgraded long term rating of IVR BB+ with a Stable outlook for the bank loan facilities of Civet Projects Pvt Ltd (CPPL)

The upgraded rating to the bank facilities of Civet Projects Pvt. Ltd continues to derive comfort from experienced promoters and management team. The rating also factor its healthy order book indicating near to medium term revenue visibility and comfortable capital structure with healthy debt protection metrics. . However, these rating strengths are partially offset by initial stage of business operations, limited geographical diversity in revenue profile, small scale of operations, tender driven nature of business in highly fragmented & competitive construction sector, inherent risk as an EPC Contractor.

The 'Stable' outlook indicates a low likelihood of rating change over the medium term. IVR believes CPPL's will continue to benefit from its operational track record in the business, its reputed clientele and experienced management. The industry outlook is also improving led by the government of India making steady progress in infrastructure growth and development.



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IVR has principally relied on the standalone audited financial results of CPPL upto 31 March 2022, FY23 (provisional) and projected financials for FY2024, FY2025 and FY2026, and publicly available information/ clarifications provided by the company's management.

Key Rating Sensitivities:

Upward Factors

- Growth in scale of operations with improvement in profitability, and cash accruals on a sustained basis.
- Manage working capital requirements efficiently with improvement in liquidity position.
- Collection of long pending debtors during the year.

Downward Factors

- Moderation in scale of operations and/or profitability impacting the liquidity profile
- Moderation in the capital structure with deterioration in overall gearing to more than 1.5x.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced promoters

The promoters has good experience into the management, planning & implementation of different irrigation projects. Mr. Pavan Kumar Reddy (Director), is an engineer by profession having an experience of over 6 years. Mr. Sreekantha Reddy (Director), is an MBA, has an experience of more than a decade. Infomerics believes that though the operations are at nascent stage. However, CPPL is expected to benefit from the experienced management team over the medium term.

Healthy order book indicating near to medium term revenue visibility

The company has unexecuted order book position of ~1,568.22 Crore as on date as on March 31, 2023, to be executed in next 2-3 years provide a near to medium term revenue visibility



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thereby, giving medium term revenue visibility. Going forward, materialization of the already bided contracts and winning of new contracts will be crucial for the company.

Comfortable capital structure with healthy debt protection metrics

The adjusted overall gearing of the company stood comfortable at 0.99x as on March 31, 2023(P). The debt protection indicators of the company like interest coverage is strong at 2.97x in FY23(P) (1.71x in FY22) and DSCR at 1.73 times in FY23(P) (0.89x in FY22). Total Debt/GCA stood at 2.10 years in FY23(P) as against 18.32 years in FY22. Further, total indebtedness of the company as reflected by TOL/TNW remained moderate at 3.19x as on March 31, 2023(P).

Key Rating Weaknesses

Small scale of operation

The scale of operations of the company remained small with total operating income of Rs.46.72 crore in FY22. Small scale of operations restricts the financial flexibility of the company to an extent. However as per the management certified numbers of FY23(P) the total operating income of the company significantly increased by 333.09% and stood at Rs. 203.19 Crore with an EBITDA and PAT margins of 15.56% & 6.76%.

Susceptibility of profitability to volatile input prices

CPPL undertakes projects primarily under engineering, procurement and construction basis (EPC) and are active mainly in the field of Irrigation Projects and other allied construction activities. The major inputs required by the company steel, cement etc. However, all the ongoing contracts contain escalation clause but the same is not sufficient to guard against volatile input material price. Also, Tender based operations limit pricing flexibility in an intensely competitive industry which in turn adversely impact the profitability.

Working capital intensive nature of operation



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The operations of the Company are working capital intensive as a large amount of working capital remains blocked in receivables. Further, most of its works and consequent billings are skewed towards the month of March which led to high receivables as on the last date of the financial year (payments have generally been received in 1st quarter of the next fiscal) and resulted in high average collection period. However, despite high collection period, comfort can be derived from the fact that the dues are routed through various government departments which carries a low counterparty credit risk. The operating cycle stood at 23 days as on March 31, 2023(P), largely driven by receivables of 73 days and inventory holding period of ~14 days, the effect of which is partially offset by the creditor days of 64 days.

Geographical concentration risk

The present unexecuted order book is majorly concentrated in the states of Arunachal Pradesh and Rajasthan making the company vulnerable to any adverse changes in the political environment or policy matters of the state that would affect all the projects of the concerned states. Furthermore, the order book is segmentally concentrated in pipelines sector and water conservation system. However, the company's adequate experience to execute projects in the state and also operating in a concentrated geography provides efficient control and reduces the logistical expense to some extent.

Highly fragmented & competitive nature of the construction sector with significant price war

The domestic infrastructure/construction sector is highly crowded with presence of many players with varied statures & capabilities. Thrust of the government in the infrastructure sector, resulted in increase in the number of players. While the competition is perceived to be healthy, significant price cut by few players during the bidding process is a matter of serious concern as the same can dent the margins.



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Analytical Approach: Standalone

Applicable Criteria :

[Rating Methodology for Infrastructure entities](#)

[Financial Ratios & Interpretation Non- Financial Sector](#)

[Criteria for assigning rating outlook](#)

Liquidity – Adequate

The liquidity profile of CPPL is expected to remain adequate marked by its expected satisfactory cash accrual in the range of ~Rs.17.90 - 27.13 crore for the next three years as against debt repayment obligation around Rs.4.51 – 6.33 crore. Further, the company has adequate gearing headroom for additional debt with an overall gearing of 0.99x as on March 31, 2023 (Prov.) However, the average working capital utilisation of the company remained around than ~91.67% during the past 12 months ended March, 2023 (P) indicating a limited liquidity buffer.

About the Company

Incorporated in 2018, Hyderabad based Civet Projects Private Limited manly undertakes canal and reservoir works. Its core areas of work include value chain across sectors such as irrigation projects. Mr. Pavan Kumar Reddy and Mr. Sreekantha Reddy are the promoters of the company, who are having past experience into management, planning & implementation of different projects through their previous associations.

Financials (Standalone):

For the year ended* As on	(Rs. crore)		
	31-03-2021	31-03-2022	31-03-23
	Audited	Audited	Provisional
Total Operating Income	49.75	46.72	203.19
EBITDA	7.90	14.64	31.62
PAT	1.93	0.43	13.75
Total Debt	22.38	48.73	34.16
Tangible Net worth*	19.89	20.80	34.55
EBITDA Margin (%)	15.88%	31.34%	15.56%
PAT Margin (%)	3.87%	0.92%	6.76%
Overall Gearing Ratio (x)	1.13x	2.34x	0.99x

*as per Infomerics standards



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Status of non-cooperation with previous CRA : Not Available

Any other information: : Nil

Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22 Dated : Feb 23 rd , 2022	Date(s) & Rating(s) assigned in 2020-21 Dated : Dec 08 th , 2020
2	Cash Credit	Long Term	15.00	IVR BB+/ Stable (IVR Double B Plus with Stable outlook)	-	IVR BB/ Stable (IVR Double B with Stable outlook)	IVR BB/ Stable (IVR Double B with Stable outlook)
3	Bank Guarantee	Long Term*	35.00	IVR BB+/ Stable (IVR Double B Plus with Stable outlook)	-	IVR A4 (IVR A Four)	-

**Tenure is 3 Years*

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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.



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Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit www.infomerics.com

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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
Long Term Bank Facilities – Cash Credit				15.00	IVR BB+/ Stable (IVR Double B Plus with Stable outlook)
Long Term Bank Facilities – Bank Guarantee*				35.00	

*Tenure is 3 Years

Annexure 2: List of companies considered for consolidated analysis: Not applicable

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/Len-CivetProjects-may23.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

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