



## Press Release

### **Creative Minerals (India) Private Limited**

**May 28, 2024**

#### **Rating**

<b>Sr. No.</b>	<b>Instrument/ Facility</b>	<b>Amount (INR Crore)</b>	<b>Rating Assigned</b>	<b>Rating Action</b>	<b><u>Complexity Indicator</u></b>
1.	Long Term Bank Facilities	27.00	IVR BBB/Stable (IVR Triple B with Stable Outlook)	Assigned	Simple
2.	Short Term Bank Facilities	88.00	IVR A3+ (IVR A Three Plus)	Assigned	Simple
	<b>Total</b>	<b>115.00</b>	<b>(Rupees One Hundred and Fifteen Crore Only)</b>		

**Details of facilities are in Annexure 1**

#### **Rating Rationale**

Infomerics Ratings and Valuation Private Limited (IVR) has assigned the long-term rating of IVR BBB with a Stable outlook and short-term rating of IVR A3+ for the bank facilities of Creative Minerals (India) Private Limited.

The assigned rating takes into consideration the long experience of the promoter with increase in scale of operations with comfortable capital structure. The ratings further draw comfort from healthy orderbook position and moderate debt protection metrics. However, these strengths are partially offset by geographical concentration risk, highly fragmented & competitive nature of the construction sector with significant price war. The ratings are further constrained by susceptibility of operating margin to volatile input prices.

The 'Stable' outlook indicates a low likelihood of rating change over the medium term.

IVR has principally relied on the standalone audited financial results of Creative Minerals (India) Private Limited upto 31 March 2023, and projected financials for FY24, FY25 and FY26, and publicly available information/ clarifications provided by the company's management.

#### **Key Rating Sensitivities**



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### Upward Factors

- ✓ Steady flow of orders & timely execution of the same leading to sustained improvement in scale of operations and profitability thereby improvement in liquidity position
- ✓ Sustenance of the capital structure

### Downward Factors

- ✓ Any delays in execution of projects impacting the scale of operations and impairment in profitability affecting the liquidity position.
- ✓ Moderation in the capital structure with deterioration in the overall gearing

### Detailed Description of Key Rating Drivers

#### A. Key Rating Strengths

##### Long track record of promoters

The promoters Mr. Gopal Prasad Agarwal, Mr. Saurabh Agarwal, Ms. Poonam Goyal and Mr. Vishal Agarwal has experience of more than two decades in the civil construction industry. The extensive experience of the management has helped the company to successfully bid for tenders floated by Indian Railways.

##### Healthy order book position

The company has a healthy unexecuted order book of Rs. 924.56 crore as of February 28, 2023, which is about 3.15 times of its FY23 total operating income. The orders are expected to be completed within two years, indicating a satisfactory medium-term revenue visibility.

##### Continuous growing scale of operations along with moderate profitability

The company's Total Operating Income grew significantly by 67.63% to Rs. 292.43 crore in FY23 (Audited) as against Rs. 174.44 crore in FY22 on account of increased flow of order and execution. EBITDA improved to Rs. 27.40 Crore in FY23 as against Rs. 16.21 Crore in FY22. The EBITDA margin improved by 8 bps from 9.29% in FY22 to 9.37% FY23. The PAT of the company also improved from Rs. 10.06 Crore in FY22 to Rs. 17.56 Crore in FY23. PAT margin improved by 23 bps from 5.76% in FY22 to 5.99% in FY23. The GCA improved to Rs.19.90 Crore in FY23 from Rs.11.66 Crore in FY22 mainly because of increase in profits. During 9MFY24, the company has recorded TOI amounting to Rs. 345.00 crore.



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### **Comfortable capital structure with moderate debt protection metrics**

The capital structure of the company is comfortable, marked by its moderate net worth base of Rs. 50.34 Crore as on March 31, 2023. The overall gearing stood comfortable at 0.55x as on March 31, 2023. Total indebtedness of the company as reflected by TOL/TNW stood at at 1.44x as on March 31, 2023, as against 1.24x as on March 31, 2022. The interest coverage stood at 13.23x during FY23 as against 10.87x during FY22. Total debt to GCA improved from 1.56x as March 31, 2022, to 1.38x as on March 31, 2023. The DSCR remained comfortable at 4.11x for FY23, against 2.80x in FY22.

### **B. Key Rating Weaknesses**

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

The domestic construction sector is highly crowded with the presence of several mid and big size players with varied statures & capabilities. A boom in the infrastructure sector, a few years back, resulted in an increase in the number of players. While the competition is perceived to be healthy, a significant price cut by a few players during the bidding process is a matter of serious concern for the users with respect to quality of output. However, this risk is minimized to an extent on account of the extensive experience of the management.

#### **Geographical concentration risk**

The company is exposed to geographical concentration risks as carries on construction operations majorly in UP which contributed 83.00 % of the total value of work done during FY23. However, the company is planning to expand its scale of operations in other states as well.

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

Major raw materials used in civil construction activities are steel & cement and in construction activities pipe, pumps, brick and sand which are usually sourced from large players/dealers at proximate distances. The raw material & labour (including sub-contracting) cost forms the majority chunk of the total cost of sales for the last three years. As the raw material prices & labour (including sub-contracting) costs are volatile in nature, the profitability of the company is subject to fluctuation in raw material prices & labour (including sub-contracting) cost.



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However, the presence of an escalation clause (for raw materials) in most of the contracts protect the margin to an extent.

**Analytical Approach:** Standalone

**Applicable Criteria:**

[Rating Methodology for Infrastructure Sector](#)

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

[Criteria for assigning Rating Outlook](#)

[Instrument/Facility wise Default Recognition & Post-Default Curing Period](#)

**Liquidity: Adequate**

The company expects sufficient cushion in cash accrual against its scheduled debt repayment obligation. The current ratio of the company stood above unity at 1.54x as on March 31<sup>st</sup>, 2023. The unencumbered cash and bank balance as on March 31, 2023, stood at Rs. 5.48 Crore. The average consolidated utilisation for non-fund-based limits during the last 12 months ending January 2024 stood at 70.96% and the company's liquidity is adequate marked by 85.91% average utilisation of fund-based limits during the past 12 months ended January 2024. The company is expecting the Gross cash accrual in the range of Rs 30.49 Crore to Rs. 39.46 Crores as against the repayment obligation in the range of Rs.4.00 crore to Rs.4.62 crore during FY2024-26.

### **About the Company**

Uttar Pradesh based Creative Minerals India Private Limited was incorporated as a private limited company in 2011 by Mr. Gopal Prasad Agarwal and deals with Indian Railways in Civil Contracts like Construction of Road Over Bridges, Road Under Bridges, Foot Over Bridges, Station Buildings, Platforms, Earthwork in formation, Stone Ballast Supply and Track Linking.

**Financials (Standalone): -**

**(In Rs. Crore)**

For the year ended* As on	31-03-2022 Audited	31-03-2023 Audited
Total Operating Income	174.44	292.95
EBITDA	16.21	27.40



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PAT	10.06	17.56
Total Debt	18.13	27.48
Tangible Net Worth	32.18	50.34
EBITDA Margin (%)	9.29	9.37
PAT Margin (%)	5.76	5.99
Overall Gearing Ratio (x)	0.56	0.55

*\*Classification as per Infomerics' standards (NM= Not Meaningful)*

**Details of non-co-operation with any other CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating History for last three years:**

Name of the Facility/ Instrument	Current Rating (Year: 2023-24)			Rating History for the past 3 years		
	Type	Amount (INR Crore)	Rating as on 29.03.2024	Date(s) & Rating(s) assigned in 2022-23.	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2021-21
Fund based limits	Long Term	27.00	IVR BBB/Stable (IVR Triple B with Stable Outlook)	-	-	-
Non-Fund based limits	Short Term	88.00	IVR A3+ (IVR A Three Plus)	-	-	-

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### About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).



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Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

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

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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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	-	-	-	27.00	IVR BBB/Stable
Bank Guarantee	-	-	-	88.00	IVR A3+

**Annexure 2: List of companies considered for consolidated analysis: Not Applicable**

**Annexure 3: Facility wise lender details**

<https://www.infomerics.com/admin/prfiles/len-Creative-Minerals-may24.pdf>

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





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**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](http://www.infomerics.com) .