



Rating Rationale

Charith Infrastructure Private Limited

22 December 2017

Brickwork Ratings reaffirms BWR BB- (Outlook: Stable)/A4 for the Bank Loan Facilities of Rs. 12.25 Crore of Charith Infrastructure Private Limited ('CIPL' or 'the company'), Hyderabad, Telangana

Particulars

Facilities Rated [#]	Amount (Rs. Crs)		Tenur e	Ratings*	
	Previous	Present		Previous	Present
Fund Based Cash Credit	3.00	3.00	Long Term	BWR BB- <i>(Pronounced as BWR Double B Minus)</i> Outlook: Stable	BWR BB- <i>(Pronounced as BWR Double B Minus)</i> Outlook: Stable Reaffirmed
Non Fund Based Bank Guarantee	9.25	9.25	Short Term	BWR A4 <i>(Pronounced as BWR A Four)</i>	BWR A4 <i>(Pronounced as BWR A Four)</i> Reaffirmed
Total	12.25	Rs. 12.25 Crore (Rupees. Twelve Crore Twenty Five Lakh Only)			

* Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Annexure I shows details of credit facilities

Ratings Reaffirmed

Rationale/Description of Key Rating Drivers/Rating sensitivities:

Brickwork Ratings has essentially relied upon the audited financials upto FY17, publicly available information and information/clarifications provided by the company's management.

The ratings reaffirmation continues to factor the experienced management, established position as a registered Special class contractor and Class I contractor in Telangana and Bihar respectively and established relationships with clientele. However, the ratings continue to be constrained by the modest scale of operations, geographical concentration of orders, highly competitive and fragmented industry, tender based nature of activity and working capital intensive nature of operations.



Going forward, the ability of the company to increase its scale of operations, improve its profitability, strengthen its credit risk profile and manage its working capital efficiently will be the key ratings sensitivities.

Rating Outlook: Stable

BWR believes that **Charith Infrastructure Private Limited's** ('CIPL' or 'the company') business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Key Rating drivers

Credit strengths

- CIPL's management has over a decade of experience in Civil infrastructure development.
- The company is a registered 'Special Class' contractor in Telangana and Class I contractor in Bihar.
- CIPL has established relationships with its clientele, primarily State Government entities.

Credit Weaknesses

- CIPL's scale of operations is modest and is exposed to revenue fluctuations and risks arising from tender based nature of activity.
- The company faces stiff competition in a fragmented industry due to low entry barriers.
- Geographical concentration of business as the company primarily executes various projects in the states of Telangana and Bihar.
- Working capital requirement is high due to nature of business.

About the Company

Charith Infrastructure Private Limited ('CIPL' or 'the company'), was incorporated in June 2010, at Hyderabad, Telangana. The company undertakes civil works of Public Works Department (PWD) for various Government Departments like Irrigation and Tribal Welfare Department, Panchayat Raj, Local Municipalities, Roads & Buildings, etc. CIPL also undertakes private civil construction projects like Effluent Treatment Plants, laying of roads, Water Pipelines, underground drainage, etc.



Shri. Chada Kishan Reddy, Shri. K Srinivas Reddy and Shri. V Sathyanarayana Reddy are the directors.

Financial Performance

CIPL's net revenue increased to Rs. 23.61 crore for FY17 from Rs. 7.93 crore for FY16 with net profit of Rs. 0.92 crore for FY17 as against Rs. 0.50 crore for FY16. Tangible net worth was Rs. 5.84 Crore as on 31st March 2017. Total Debt to Partners' Capital stood at 0.95 times as on 31st March 2017.

The key financial indicators are summarized in Annexure II.

Rating History for the last three years

Sl. No.	Instrument/Facilities ^{##}	Current Rating (Year 2017)			Rating History		
		Type	Amount (Rs. Cr)	Rating	2016 [^] (19 th Sept 2016)	2015 ^{^^} (24 th June 2015)	2014
1	Cash Credit	Long Term	3.00	BWR BB- (Outlook: Stable) <i>Reaffirmed</i>	BWR BB- (Outlook: Stable) <i>Reaffirmed</i>	BWR BB- (Outlook: Stable) <i>Assigned</i>	-
2	Bank Guarantee	Short Term	9.25	BWR A4 <i>Reaffirmed</i>	BWR A4 <i>Reaffirmed</i>	BWR A4 <i>Assigned</i>	-
Total			Rs. 12.25 Crore (Rupees. Twelve Crore Twenty Five Lakh Only)				

[^]Amount Rated: Rs. 12.25 Crore

^{^^}Amount Rated: Rs. 12.25 Crore

^{##} The bank facilities were sanctioned by SBH on 30th January 2015, prior to merger of SBH with SBI.

Status of Non Cooperation with Other CRA: Not Applicable

Any other information: Not Applicable

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Infrastructure Sector](#)
- [Approach to Financial Ratios](#)
- [Short Term Debt](#)



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Annexure I

Charith Infrastructure Private Limited Hyderabad, Telangana

Name of the Bank	Facilities/Instrument	Tenure	Amount Rated (Rs. Crs)
State Bank of India ^{##} L B Nagar Branch, Hyderabad, Telangana	Fund Based: Cash Credit	Long Term	3.00
	Non Fund Based: Bank Guarantee	Short Term	9.25
Total			12.25

The bank facilities were sanctioned by SBH on 30th January 2015, prior to merger of SBH with SBI.

Annexure II

Key Financial Parameters

(Rs. Cr)		FY16	FY17
		Audited	Audited
Revenue	Rs. Cr	7.93	23.61
EBIDTA	Rs. Cr	1.13	1.99
Profit After Tax	Rs. Cr	0.50	0.92
Tangible Net Worth	Rs. Cr	4.92	5.84
Total Debt : Tangible Net Worth	Times	1.00	0.95
Current Ratio	Times	1.85	1.47



For print and digital media

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Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at www.brickworkratings.com/download/ComplexityLevels.pdf Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

DISCLAIMER

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