



## Rating Rationale

S S Chauhans Construction Pvt Ltd (Formally Known as Sandeep Chauhan)

9 August 2019

**Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹. 11.98 Crores of S S Chauhans Construction Pvt Ltd (Formally Known as Sandeep Chauhan).**

## Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous (July 18)	Present		Previous (July 2018)	Present
Fund based	5.38	4.98	Long Term	BWR B+ (Pronounced as BWR Single B Plus) Outlook: Stable (Reaffirmed)	BWR B+ (Pronounced as BWR Single B Plus) Outlook: Stable (Reaffirmed)
Non Fund Based	8.36	7.00	Short Term	BWR A4 (Pronounced as BWR A Four) (Reaffirmed)	BWR A4 (Pronounced as BWR A Four) (Reaffirmed)
<b>Total</b>	<b>13.74</b>	<b>11.98</b>	<b>INR Eleven crores and ninety eight lakhs only</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings  
Complete details of Bank facilities is provided in Annexure-I

## Ratings: Reaffirmed

BWR has Reaffirmed Long Term Rating of BWR B+ (Outlook: Stable) & BWR A4 for the bank loan facilities for S S Chauhans Construction Pvt Ltd (Formally Known as Sandeep Chauhan).

## Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financial statements of the company upto FY18 and, publicly available information and information/clarifications provided by the management.

The rating draws strength from the experience of the promoters in the EPC industry, healthy order book position and comfortable debt protection metrics. The rating however is constrained by small scale of operations, low net worth, risk related to tender based business operations, geographical risk concentration and highly competitive industry. Going forward, the ability of the firm to improve its scale



of operations with a higher revenue profits & profitability margin, timely completion of the projects and servicing debt obligations promptly will be the key rating sensitivities.

### Description of Key Rating Drivers

#### Credit Strengths:

1. **Experienced Promoters:** The promoters has an experience of over two decades in the EPC industry and has maintained good relations with the State Government
2. **Order book position:** The company has an order book position of Rs. 125.25 crs as on June 2019 to be executed in FY 21 and gives revenue visibility.
3. **Debt protection metrics:** The company reported ISCR and DSCR in FY 18 as 4.67x and 2.82x, respectively.
4. Company is a government certified Class-I contractor and associated with many reputed customers such as PWD, HP and HPRIDC.

#### Credit Risks:

1. **Exposed to risk related to Tender based business operations:** The company has a small scale of operations which is exposed to risk related to tender based business operations.
2. **No geographical diversification** as the company is doing business with only Himachal Pradesh Government.
3. **Highly competitive industry:** The EPC industry is a highly competitive industry with profit margins vulnerable to government regulations and types of projects.

### 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).

#### Liquidity Profile:

The company has Cash & Bank balances of Rs. 0.09 Crs in FY 18. Long term borrowings of INR 3.73 includes INR 3.63 Cr Bank loans from pnb, INR 0.098 Cr of unsecured loans from related parties. The company has provided the Cash Flow Statement. CPLTD of INR 0.52 Cr as against Net cash accruals of INR 2.79 Cr in FY 18. The Cash Credit utilization of the last 6 months was around ~93.33 The current ratio is at 1.15 times in FY 18. ISCR and DSCR is at 4.67X and 2.82X in FY 18.

#### Holding/Subsidiary Company: NA

#### Rating Outlook:

BWR believes the **S S Chauhans Construction Pvt Ltd(Formerly Known as Sandeep Chauhan)** 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.



### About the Company

Based in Jahu, Himachal Pradesh, SS Chauhans Construction Pvt Ltd was operating as a proprietorship firm named Sandeep Chauhan (Government Contractor) until March 2017. The firm got reconstituted as a private limited company on March 31, 2018. The company is involved in the execution of government contracts mainly for construction of roads, bridges, etc. As on June 30, 2019, the company has an order book position of Rs.125.25 crs to be executed by FY 21 as communicated by management.. The company is a Class A contractor in Public works Department. Mr. Sandeep Chauhan is the Managing Director and Sanjay Chauhan is the Director.

### Company Financial Performance

The company projected a total operating income of Rs. 32.25 Crs. in FY 18 with PAT of Rs. 1.65 Crs. as compared to total operating income of Rs. 31.78 Crs. in FY 17 with PAT of Rs. 1.84 Crs.

#### Key Financial Indicators

Key Parameters	Units	2018	2017
<b>Result Type</b>			
Operating Revenue	₹ Cr	32.25	31.78
EBITDA	₹ Cr	3.87	2.26
PAT	₹ Cr	1.65	1.84
Tangible Net worth	₹ Cr	4.52	3.98
Total Debt/Tangible Net worth	Times	1.67	0.80
Current Ratio	Times	1.15	1.12

**Rating History for the last three years**

Instrument /Facility		Current Rating		Rating History		
Facility	Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2018	09.05.2017	23.03.2017
<b>Fund Based</b>	Long Term	4.98	<b>BWR B+ (Pronounced as BWR Single B Plus)</b> Outlook: Stable (Reaffirmed)	<b>BWR B+ (Pronounced as BWR Single B Plus)</b> Outlook: Stable (Reaffirmed)	<b>BWR B+ (Pronounced as BWR B Plus)</b> Outlook: Stable (Reaffirmed)	<b>Rating Not Reviewed</b>
<b>Non Fund Based</b>	Short Term	7.00	<b>BWR A4 (Pronounced as BWR A Four)</b> (Reaffirmed)	<b>BWR A4 (Pronounced as BWR A Four)</b> (Reaffirmed)	<b>BWR A4 (Pronounced as BWR A Four)</b> (Reaffirmed)	<b>Rating Not Reviewed</b>
<b>Total</b>		<b>11.98</b>	<b>₹ Eleven crores and ninety eight lakhs only</b>			

Status of non-cooperation with previous CRA (if applicable)-Reason and comments

Any other information

**Hyperlink/Reference to applicable Criteria**

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

For any other criteria obtain hyperlinks from website



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#### Note on complexity levels of the rated instrument:

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#### About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, 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 leading public sector 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, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

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