

Rating Update
April 16, 2025 | Mumbai**USK Construction Company DP****Update as on April 16, 2025**

This update is provided in continuation of the rating rational below.

The key rating sensitivity factors for the rating include:

Upward factors:

- Sustained improvement in scale of operation by 20% and sustenance of operating margin, leading to higher cash accruals over Rs 12 crore
- Sufficient cushion in working capital limits and cash balance

Downward factors:

- Decline in profitability below 6% over the medium term
- Further slow down in execution of projects resulting in time and cost overrun
- Large debt-funded capital expenditure weakens capital structure
- Witnesses further withdrawal s from partners resulting in network erosion

Crisil Ratings has a policy of keeping its accepted ratings under constant and ongoing monitoring and review. Accordingly, Crisil Ratings seeks regular updates from companies on the business and financial performance. Crisil Ratings is, however, awaiting adequate information from USK Construction Company DP (USKCCD) which will enable us to carry out the rating review. Crisil Ratings will continue provide updates on relevant developments from time to time on this credit.

Crisil Ratings also identifies information availability risk as a key credit factor in the rating assessment as outlined in its criteria 'Information Availability Risk in Credit Ratings'.

About the Company

USKCCD was establish in 2017, it is located in Udupi , Karnataka . USKCCD is engaged in civil construction works, such as construction of roads and bridges, canal works, irrigation works and building works.USKCCD owned & managed by Mr. Udaya Shetty, Mr. Suresh Sharanappa Kanaji, Mrs Namitha Shetty, Mrs Vinutha NM, and Mrs Kumari K Shetty.

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Rating Rationale

February 29, 2024 | Mumbai

USK Construction Company DP

Long-term rating downgraded to 'CRISIL BB- / Stable'; short-term rating reaffirmed

Rating Action

Total Bank Loan Facilities Rated	Rs.25 Crore
Long Term Rating	CRISIL BB-/Stable (Downgraded from 'CRISIL BB / Stable')
Short Term Rating	CRISIL A4+ (Reaffirmed)

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1 crore = 10 million

Refer to Annexure for Details of Instruments & Bank Facilities

Detailed Rationale

CRISIL Rating has downgraded its long term ratings on the bank loan facilities of USK Construction Company DP (USKCCD to '**CRISIL BB-/Stable**' from 'CRISIL BB/Stable' while reaffirming the short term rating at 'CRISIL A4+'

The downgrade reflects weakening of business risk profile. Revenue for fiscal 2023-24 remain subdued and order book stood stagnant for multiple projects as the debtor realization for major projects where slow. CRISIL expects 40-50% slowdown in the revenue for fiscal 2023-24 in comparison to previous fiscal Financial risk profile was impacted with lower than expected accruals and decline in net cash accruals; likely to remain lower than previous expectations against repayment obligations coupled with high bank limit utilization has also weakened the liquidity profile of the company; impacting the overall credit profile

The rating reflects USKCCD's extensive industry experience of the promoters and its healthy financial profile. These strengths are partially offset by its susceptibility to tender-based operations and moderate scale of operations

Key Rating Drivers & Detailed Description

Strengths:

Extensive industry experience of the promoters: Prior to the existence of the partnership firm, Mr. Udaya Shetty worked as a contractor under his proprietorship firm i.e. M/s Udaya Shetty for over a decade. This has given them an understanding of the dynamics of the market and enabled them to establish relationships with suppliers and customers.

Healthy financial profile: USKCCD capital structure have been at healthy level due to lower reliance on external funds yielding gearing of 1.10x and low total outside liabilities to adj tangible network (TOL/ANW) of 3.67x for year ending on 31st March 2023. USKCCD debt protection measures have also been at healthy level due to leverage and healthy profitability. The interest coverage and net cash accrual to total debt (NCATD) ratio are at 5.99 times and -0.09 times for fiscal 2023. USKCCD debt protection measures are expected to remain at similar level over medium term.

Weakness:

Moderate scale of operations

The company is expected to witness decline in revenue by 50% for fiscal 24 in comparison to Rs 171 crore recorded in fiscal 23. The decline in order book flow coupled with slower realization in debtors has led to time overrun of projects.

Susceptibility to tender-based operations: Revenue and profitability entirely depend on the ability to win tenders. Also, entities in this segment face intense competition, thus requiring to bid aggressively to get contracts, which restricts the operating margin to a moderate level. Also, given the cyclicity inherent in the construction industry, the ability to maintain profitability margin through operating efficiency becomes critical.

Liquidity- Stretched

Bank limit utilisation is high at around 98.93 percent for the past twelve months ended December 2023. Cash accrual are expected to be over Rs 4 crore which are sufficient against term debt obligation of Rs 1.65 crore over the medium term. Current ratio are moderate at 1.36 times on March 31, 2023. The partners has withdrawn Rs 9 crore during last fiscal ending March 31, 2023 as a result in erosion of networth.

Outlook Stable

CRISIL Ratings believe USKCCD will continue to benefit from the extensive experience of its promoter, and established relationships with clients.

Rating Sensitivity factors

Upward factor

- Sustained improvement in scale of operation by 20% and sustenance of operating margin, leading to higher cash accruals over Rs 12 crore
- Sufficient cushion in working capital limits and cash balance

Downward factor

- Decline in profitability below 6% over the medium term
- Further slow down in execution of projects resulting in time and cost overrun
- Large debt-funded capital expenditure weakens capital structure
- Witnesses further withdrawal s from partners resulting in networth erosion

About the Company.

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Key Financial Indicators

As on / for the period ended March 31		2023	2022
Operating income	Rs crore	171.61	174.20
Reported profit after tax	Rs crore	7.12	7.05
PAT margins	%	4.15	4.05
Adjusted Debt/Adjusted Net worth	Times	1.10	1.12
Interest coverage	Times	5.74	6.23

Status of non cooperation with previous CRA:

USKCCD has not cooperated with Brickwork Ratings India Private Limited (BWR) which has classified it as non-cooperative vide release dated 28th-September-2022. The reason provided by BWR is non-furnishing of information for monitoring of ratings.

Any other information: Not applicable

Note on complexity levels of the rated instrument:

CRISIL Ratings' complexity levels are assigned to various types of financial instruments and are included (where applicable) in the 'Annexure - Details of Instrument' in this Rating Rationale.

CRISIL Ratings will disclose complexity level for all securities - including those that are yet to be placed - based on available information. The complexity level for instruments may be updated, where required, in the rating rationale published subsequent to the issuance of the instrument when details on such features are available.

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Annexure - Details of Instrument(s)

ISIN	Name of instrument	Date of allotment	Coupon rate (%)	Maturity date	Issue size (Rs.Cr)	Complexity Levels	Rating assigned with outlook
NA	Cash Credit	NA	NA	NA	7.00	NA	CRISIL BB-/Stable
NA	Proposed long term Bank loan Facility	NA	NA	NA	4.00	NA	CRISIL BB-/Stable
NA	Bank Guarantee	NA	NA	NA	14.00	NA	CRISIL A4+

Annexure - Rating History for last 3 Years

	Current	2024 (History)	2023	2022	2021	Start of
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												2021
Instrument	Type	Outstanding Amount	Rating	Date	Rating	Date	Rating	Date	Rating	Date	Rating	Rating
Fund Based Facilities	LT	11.0	CRISIL BB-/Stable		--		--	28-12-22	CRISIL BB-/Stable		--	--
Non-Fund Based Facilities	ST	14.0	CRISIL A4+		--		--	28-12-22	CRISIL A4+		--	--

All amounts are in Rs.Cr.

Annexure - Details of Bank Lenders & Facilities

Facility	Amount (Rs.Crore)	Name of Lender	Rating
Bank Guarantee	14	Canara Bank	CRISIL A4+
Cash Credit	7	Canara Bank	CRISIL BB-/Stable
Proposed Long Term Bank Loan Facility	4	Not Applicable	CRISIL BB-/Stable

Criteria Details

Links to related criteria
Rating criteria for manufacturing and service sector companies
CRISILs Approach to Financial Ratios
Rating Criteria for Construction Industry
CRISILs Criteria for rating short term debt

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