Press Release

Civet Projects Private Limited

March 18, 2025

Ratings

Instrument Facility	Amount (Rs. Crore)	Current Ratings	Previous Rating	Rating Action	Complexity Indicator
Long term Bank Facilities	135.00	IVR BBB/ Stable (IVR Triple B with Stable outlook)	IVR BBB-/ Stable (IVR Triple B Minus with Stable outlook)	Upgraded	Simple
Total	**135.00**	**Rupees One Hundred and thirty five crores only.**			

Details of Facilities/Instrument are in Annexure 1

Facility wise lender details are at Annexure 2

Detailed explanation of covenants is at Annexure 3

Detailed Rationale

Infomerics Valuation and Rating Limited (IVR) has upgraded long-term rating of IVR BBB with stable outlook for the bank loan facilities of Civet Projects Private Limited (CPPL).

The rating draws comfort from its experienced promoters and management, healthy order book position provides medium-term revenue visibility, Significant improvement in scale of operation in FY24 and low counter-party credit risks, However, these strengths are partially offset by Moderate capital structure, exposure to customer and geographical concentration risk, tender driven nature of business in highly fragmented & competitive construction sector and Inherent risk as an EPC contractor and susceptibility of operating margin to volatile input prices.

The stable outlook indicates a low likelihood of rating change in the medium term. IVR believes that the CPPL business & financials risk profile will be maintained over the over the medium term considering the overall risk profile of the company.

IVR has principally relied on the standalone audited financial results of CPPL up to FY24(A) (Review period April 01, 2023 to March 31, 2024) & 9MFY25 unaudited results and three years projected financials till FY27, and publicly available information/ clarifications provided by the company’s management.

Key Rating Sensitivities:

Upward Factors

- Timely execution of its order book leading to substantial improvement in scale of operations above Rs 800.00 crores while maintaining profitability margins over the medium term.
- Sustenance of capital structure with improvement in debt protection metrics.
- Improvement in liquidity position.

Downward Factors

- Moderation in total operating income and/or moderation in profitability due to delay in execution of orders in hand.
- Moderation in the capital structure with moderation in overall gearing and/or moderation in interest coverage.
- Moderation in liquidity position with increase in working capital intensity.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced Promoters and Long Track Record of the Company:

The promoters have 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 9 years. Mr. Sreekantha Reddy (Director), is an MBA, has an experience of more than a decade. However, CPPL is expected to benefit from the experienced management team over the medium term.

Marginal growth in scale of operations along with improvement in profitability:

The company’s TOI improved by 137.81%, from Rs. 204.93 crore in FY2023 to Rs. 487.36 crore in FY2024 due to the addition of new projects in the order book. Both EBITDA and PAT demonstrated significant growth in FY2024. EBITDA increased from Rs. 26.61 crore in FY2023 to Rs. 86.30 crore in FY2024 reflecting a 224.37% increase, while PAT grew from Rs. 10.78 crore in FY2023 to Rs. 52.64 crore in FY2024 reflecting a 388.23% increase. In percentage terms, EBITDA margin improved from 12.98% in FY2023 to 17.71% in FY2024, and PAT margin rose from 5.25% in FY2023 to 10.79% in FY2024. The company's improved profitability is driven from its increase in total operating income as the company executed ~89% of its total works during FY24 in the form of irrigation projects, which contributed significantly to margin growth due to their high-margin nature. ***During the 9MFY2025, the company has achieved a total operating income of Rs. 325.99 crore along with an EBITDA of Rs. 82.33 crore and a PAT of Rs. 48.30 crore.*** The gross cash accruals (GCA) stood at Rs. 58.06 crore in FY2024 as against Rs. 13.48 crore in FY2023 and total debt to GCA ratio improved and stood at 1.99 years in FY2024 as when compared to 2.87 years in FY2023.

Healthy order book position:

As of December 31, 2024, CPPL's total order book stands at Rs. 3,625.59 crore, with Rs. 1,020.99 crore of orders already executed, leaving an unexecuted order value of Rs. 2,604.60 crore. Notable unexecuted orders include Rs. 525.26 crore order received on March 6, 2024, and a Rs. 585.74 crore order received on October 11, 2024.

Geographical Diversification:

CPPL has successfully completed numerous projects across Rajasthan, Karnataka, Maharashtra, and other states, demonstrating its strong geographical presence across India. While the company executes work orders exclusively within India, the majority of its revenue, approximately 90.92%, is generated from project execution in Karnataka as of FY2024. This diversified geographical footprint reflects the company's capability to handle projects across various regions while maintaining timely project completion.

Key Rating Weaknesses

Moderate capital structure and debt protection metrics:

The total outside liabilities to adjusted tangible net worth (TOL/ATNW) ratio declined and stood at 4.25x in FY2024, mainly due to an increase in liabilities, particularly creditors for expenses to Rs 186.78 crore. The company's financial leverage declined and stood moderate, with the overall gearing ratio at 1.37x as of March 31, 2024, from 1.22x in FY2023, due to an increase in the total debt of the company. The company's coverage metrics have improved and are moderate as of March 31, 2024. The ISCR and DSCR are 7.82x and 4.34x, respectively, compared to 2.68x and 1.70x in FY2023 respectively. The improvement in ISCR is primarily due to an increase in EBITDA. The rise in DSCR is attributed to an increase in gross cash accruals.

Tender driven nature of business in highly fragmented & competitive construction sector:

CPPL's business is heavily dependent on successfully bidding for tenders, making execution risks for newly awarded projects critical to revenue and profit growth. The domestic infrastructure and construction sector is highly fragmented, with numerous players of varying sizes and capabilities. The boom in the sector in recent years has led to an influx of new entrants, intensifying competition. While competition remains healthy, aggressive price cuts by some players during the bidding process raise concerns about the quality of output, posing challenges for the industry as a whole. CPPL faces competition from both organized and unorganized players.

Intense competition in the construction segment:

The construction industry, particularly civil and road projects, is characterized by a competitive bidding process, with tenders issued by private players. Due to the fragmented nature of the sector, CPPL faces significant competition from regional players, leading to intense rivalry and pricing pressures. These competitive dynamics can impact the company's profitability margins, as aggressive bidding often results in reduced pricing flexibility.

Analytical Approach: Standalone

Applicable Criteria :

Rating Methodology for Infrastructure Sector entities
Financial Ratios & Interpretation Non- Financial Sector
Criteria for assigning rating outlook
Policy on Default Recognition
Complexity Level of Rated Instruments/Facilities

Liquidity – Adequate

The company has adequate liquidity as seen by gross cash accruals of Rs. 58.06 crore in FY2024 as against repayment of long-term borrowings amounting to Rs. 8.61 crore. Further, the company is expected to generate cash accruals in the range of Rs. 62.78 – 93.64 crore as against its debt servicing obligation of ~Rs. 21.77 – 31.56 crore FY2025-2027. The overall working capital limits of the company are utilized to the extent of ~81.94% during the past 12 months ended December 2024 indicating moderate liquidity buffer. The current ratio reported by the company is 1.36x in FY2024. Moreover, the company has adequate gearing headroom on the back of its strong capital structure. All these factors reflect adequate liquidity position of the company.

About the Company

Civet Projects Private Limited, established in 2018 and based in Hyderabad, is an infrastructure service provider specializing in canal and reservoir works. The company focuses on delivering engineering, design, procurement, and construction services across key sectors like water, power, and roads. Civet is known for its expertise in turnkey irrigation, drinking water projects, tunnelling works for highways, metros, and hydro plants, as well as turnkey road projects.

Financials (Standalone):

(Rs. crore)

For the year ended* As on	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	204.93	487.36
EBITDA	26.61	86.30
PAT	10.78	52.64
Total Debt	38.68	115.72
Tangible Net worth*	31.59	84.23
EBITDA Margin (%)	12.98	17.71
PAT Margin (%)	5.25	10.79
Overall Gearing Ratio (x)	1.22	1.37
ISCR (x)	2.68	7.82

as per Infomerics standards

Status of non-cooperation with previous CRA : Nil

Any other information: : Nil

Rating History for last three years:

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2024-25)			Rating History for the past 3 years			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2023-24 Dated : Feb 01, 2024	Date(s) & Rating(s) assigned in 2023-24 Dated : May 17, 2023	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22 Dated : Feb 23, 2022
1	Cash Credit	Long Term	35.00	IVR BBB/ Stable (IVR Triple B with Stable outlook)	IVR BBB-/ Stable (IVR Triple B Minus with Stable outlook)	IVR BB+/ Stable (IVR Double B Plus with Stable outlook)	-	IVR BB/ Stable (IVR Double B with Stable outlook)
2	Bank Guarantee	Long Term	100.00	IVR BBB/ Stable (IVR Triple B with Stable outlook)	IVR BBB-/ Stable (IVR Triple B Minus with Stable outlook)	IVR BB+/ Stable (IVR Double B Plus with Stable outlook)	-	IVR BB/ Stable (IVR Double B with Stable outlook)

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About Infomerics:

Infomerics Valuation And Rating Ltd (Infomerics) [Formerly Infomerics Valuation and Rating Pvt. Ltd] 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).

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.

For more information visit www.infomerics.com

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			-	35.00	IVR BBB/ Stable (IVR Triple B with Stable outlook)
Long Term Bank Facilities – Bank Guarantee			-	100.00	IVR BBB/ Stable (IVR Triple B with Stable outlook)

Annexure 2: Facility wise lender details: https://www.infomerics.com/admin/prfiles/len-civet-projects-mar25.pdf

Annexure 3: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated analysis: 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