

Press Release

Durga Construction Company

December 10, 2018

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 42.00 Cr.
Long Term Rating	ACUITE BB+ / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuite has reaffirmed long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) and short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) to the Rs. 42.00 crore bank facilities of Durga Construction Company (DCC). The outlook is '**Stable**'.

DCC was established in 1996 as a family based Partnership concern. The firm is engaged in contract mining of coal and overburden removal business. Currently, DCC carries out its operation at Gujarat, Maharashtra and Rajasthan.

Analytical Approach

Acuite has taken a standalone view of the financial and business risk profile of DCC to arrive at the rating.

Key Rating Drivers

Strengths

- **Long track record of operations and experienced management**

DCC is in the business since 1996. The long track record of the operations has helped management to develop healthy relations with suppliers and reputed customers such as Singareni Collieries Company Limited, Western Coalfields Limited and Gujarat Mineral Development Corporation Limited, among others.

- **Consistent growth in revenue along with healthy order book position**

The firm registered operating income of Rs.301.18 crore in FY2018 as against Rs.259.25 crore in FY2017. Moreover, the firm has an unexecuted order book position of ~Rs.1781.00 crore as on 31 October, 2018, which gives revenue visibility over the medium term. Acuite believes that the revenues of DCC are expected to increase going forward as the company receives continuous orders.

- **Improving working capital operations**

The working capital operations have improved marked by Gross Current Assets (GCA) of 94 days for FY2018 as against 106 days in FY2017. The improvement is on account of reduction in inventory days which stood at 26 in FY2018 as against 45 days in FY2017. Debtor days stood at 51 in both FY2017 and FY2018. Further, the bank limit utilisation stood at an average ~76.00 percent for the last six months ended October 31, 2018.

Weaknesses

- **Average financial risk profile**

The financial risk profile of DCC is average marked by net worth of Rs.76.75 crore as on March 31, 2018 as against Rs.65.50 times as on March 31, 2017. Gearing stood at 2.56 times as on March 31, 2018 as against 2.81 times as on March 31, 2017. The total debt of Rs.196.29 crore as on March 31, 2018 comprises vehicle loan to the tune of Rs.144.76 crore, unsecured loan to the tune of Rs.36.62 crore and working capital borrowing to the tune of Rs.14.91 crore. Debt Service Coverage Ratio (DSCR) stood at 3.42 times in FY2018 as against 1.01 times in FY2017. Total outside liabilities to total net worth (TOL/TNW) stood at 3.12 times as on March 31, 2018 as against 3.64 times as on March 31, 2017.

• Tender based business and intense competition

The firm is engaged in mining and allied activities through tender based operations. The firm is also exposed to the uncertainty with regard to winning of tenders and faces competition from regional and national players too.

Outlook: Stable

Acuite believes that DCC will maintain 'Stable' outlook over the medium term on the back of experienced management and sustaining growth in revenue. The outlook may be revised to 'Positive' in case the company registers higher-than-expected growth in revenues along with improvement in financial risk profile. Conversely, the outlook may be revised to 'Negative' in case the company registers lower-than-expected growth in revenues and profitability or in case of deterioration in the company's financial risk profile or significant elongation in working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	301.18	259.25	182.03
EBITDA	Rs. Cr.	73.87	67.21	52.80
PAT	Rs. Cr.	18.14	15.22	10.86
EBITDA Margin	(%)	24.53	25.93	29.01
PAT Margin	(%)	6.02	5.87	5.96
ROCE	(%)	15.29	15.48	14.98
Total Debt/Tangible Net Worth	Times	2.56	2.81	3.50
PBDIT/Interest	Times	3.42	3.09	3.23
Total Debt/PBDIT	Times	2.63	2.72	3.35
Gross Current Assets (Days)	Days	94	106	96

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
09-Oct-2017	Cash Credit	Long Term	12.00	ACUITE BB+ / Stable (Assigned)
	Bank Guarantee	Short Term	30.00	ACUITE A4+ (Assigned)

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	12.00	ACUITE BB+ / Stable (Reaffirmed)
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	30.00	ACUITE A4+ (Reaffirmed)

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About Acuité Ratings & Research:

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