

Press Release

Damodar Construction Company

12 April, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs.7.00 Cr.
Long Term Rating	SMERA BB+/ Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long term rating of '**SMERA BB+**' (read as SMERA double B plus) and short term rating of '**SMERA A4+**' (read as SMERA A four plus) on the Rs.7.00 crore bank facilities of Damodar Construction Company. The outlook is '**Stable**'.

The Punjab-based, Damodar Construction Company (DCC) was established in 2010 by Mr. Rakesh Bansal. The partnership firm undertakes work contract for the Indian Railways such as construction of civil engineering structures like bridges, limited height subways, foot-over board bridges, railway bridges among others.

Key rating drivers

Strengths

Experienced management

DCC was promoted by Mr. Rakesh Bansal, who has an experience of more than three decades in the industry. He is ably assisted by his two sons, Mr. Damodar Bansal and Mr. Ankit Bansal who have an experience of more than a decade each in the infrastructure industry.

Average financial risk profile

DCC has an average financial risk profile marked by a networth of Rs.4.52 crore in FY2017 as against a net worth of Rs3.02 crore in FY2016. The gearing stood low at 0.71 times in FY2017 as against 1.14 times in FY2016. The interest coverage ratio stood at 6.35 times in FY2017 as against 4.33 times in FY2017.

Comfortable working capital management

The firm has a comfortable working capital management marked by Gross Current Assets (GCA) days of 68 in FY2017 as compared to 97 in FY2016. The GCA days are mainly dominated by debtor days of 19 in FY2017 as against 16 in FY 2016.

Reputed suppliers

The firm procures raw materials from various major players like Steel Authority of India, Jindal Steel, JK Lakshmi Cement, Ultratech Cement, Tata Steel to name a few. The firm has more than a decade of established relationship with them.

Weaknesses

Tender based operations

The revenue profile of the firm is susceptible to fluctuations as the revenues are dependent on successfully bidding for tenders. However, the revenues registered an increasing trend during the period under study. The revenues stood at Rs.9.74 in FY2015, Rs.17.93 in FY2016 and Rs.30.73 crore in FY2017.

Fluctuations in raw material prices

The firm procures raw materials such as cement and various steel products which are susceptible to price fluctuations thereby having an impact on the firm's operating margins.

Concentrated customer base

DCC is exposed to customer concentration risk as the company derives 100 percent of its total revenue from Indian Railways.

Capital withdrawal risk

DCC is exposed to risk of capital withdrawal considering its partnership constitution. However, no such instances have been observed during the period under study.

Analytical approach:

SMERA has considered the standalone business and financial risk profiles of Damodar Construction Company to arrive at the rating.

Outlook – Stable

SMERA believes that the outlook on DCC's rated facilities will remain 'Stable' over the medium term on account of its promoter's extensive experience and financial risk profile. The outlook may be revised to 'Positive' in case of sustainable improvement in its revenue profile. Conversely, the outlook may be revised to 'Negative' if group's revenue and profitability decline or delays in completion of projects.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	30.73	17.93	9.74
EBITDA	Rs. Cr.	2.53	1.47	0.61
PAT	Rs. Cr.	2.15	1.14	0.43
EBITDA Margin	(%)	8.23	8.19	6.24
PAT Margin	(%)	6.98	6.33	4.42
ROCE	(%)	36.05	30.47	39.69
Total Debt/Tangible Net Worth	Times	0.71	1.14	1.23
PBDIT/Interest	Times	6.35	4.33	3.08
Total Debt/PBDIT	Times	1.18	2.20	2.61
Gross Current Assets (Days)	Days	68	97	80

Status of non-cooperation with previous CRA (if applicable):

None

Any other information:

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.smerra.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smerra.in/criteria-fin-ratios.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Not Applicable

***Annexure - Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Overdraft	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA BB+/ Stable
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	4.00	SMERA A4+

Contacts:

Analytical	Rating Desk
Suman Chowdhury President - SMERA Bond Ratings Tel: +91-22-6714 1107 suman.chowdhury@smerra.in	Varsha Bist Manager - Rating Desk Tel: 022-67141160 varsha.bist@smerra.in
Amogh Kharkar, Analyst - Rating Operations Tel: +91-22-6714 1315 amogh.kharkar@smerra.in	

ABOUT SMERA

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