

Press Release

Dallu Construction Company

June 11, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 9.00 Cr.
Long Term Rating	ACUITE B / Outlook: Stable
Short Term Rating	ACUITE A4

* Refer Annexure for details

Rating Rationale

Acuité has assigned long-term rating of '**ACUITE B**' (**read as ACUITE B**) and short term rating of '**ACUITE A4**' (**read as ACUITE A four**) on the Rs.9.00 crore bank facilities of Dallu Construction Company. The outlook is '**Stable**'.

Dallu Construction Company (DCC) is a Bhopal-based partnership firm incorporated in 2006. The Partners, Mr. Ram Gopal Gupta and Mrs. Sunita Gupta have about a decade of experience in civil construction work. DCC is engaged in civil construction of roads for the government of Madhya Pradesh. It has worked for PWD of Raisen, Audyogik Kendra Vikas Nigam (AKVN) Bhopal and Mandi Board Bhopal, among others.

Key Rating Drivers

Strengths

- **Experienced management**

DCC was established in 2006 by Mr. Ram Gopal Gupta who possesses experience of over a decade in the civil construction industry.

Weaknesses

- **Moderate scale of operations due to tender based nature of business**

The operations of DCC are considered to be at moderate level despite firm being in the construction business since 2006. The company has achieved an operating income of Rs.13.25 crore in FY2016-17 as compared to Rs.9.35 crore in FY2015-16. Being a civil contractor, the revenue of DCC depends on the number of successful bids and the tenders being released in the financial year.

- **Competitive and fragmented industry**

Being a tender based business exposes the company to intense competition from the other players in the industry, thus affecting the revenues and the margins.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of the DCC.

Outlook: Stable

Acuité believes DCC will maintain a 'Stable' business risk profile over the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the firm registers higher-than-expected growth in revenues and net cash accruals while maintaining healthy debt protection metrics. Conversely, the outlook may be revised to 'Negative' in case the firm registers decline in growth of revenues.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	13.25	9.35	4.66
EBITDA	Rs. Cr.	2.24	1.52	1.50
PAT	Rs. Cr.	0.83	0.53	0.07
EBITDA Margin (%)	(%)	16.89	16.30	32.19
PAT Margin (%)	(%)	6.23	5.70	1.57
ROCE (%)	(%)	16.93	11.76	14.43
Total Debt/Tangible Net Worth	Times	1.41	1.03	1.65
PBDIT/Interest	Times	2.41	2.55	2.33
Total Debt/PBDIT	Times	2.71	2.80	4.06
Gross Current Assets (Days)	Days	177	284	537

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-14.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.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
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.50	ACUITE B / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	4.50	ACUITE A4

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About Acuité Ratings & Research:

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