

Press Release

Dallu Construction Company

December 17, 2019



Rating Downgraded

Total Bank Facilities Rated*	Rs. 9.00 Cr.
Long Term Rating	ACUITE D (Downgraded from ACUITE B)
Short Term Rating	ACUITE D (Downgraded from ACUITE A4)

* Refer Annexure for details

Rating Rationale

Acuité has downgraded long-term rating to '**ACUITE D**' (**read as ACUITE D**) from '**ACUITE B**' (**read as ACUITE B**) and short term rating to '**ACUITE D**' (**read as ACUITE D**) from '**ACUITE A4**' (**read as ACUITE A four**) to the Rs.9.00 crore bank facilities of DALLU CONSTRUCTION COMPANY (DCC).

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.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of DCC to arrive at this rating.

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. Currently, the day to day operation of the firm is managed by Mr. Dallu Gupta.

Weaknesses

- **Delay in servicing debt obligation**

There have been delays in repayment of debt obligations in the past three months. The firm is facing liquidity pressure which has impeded its ability to meet its debt obligation in a timely manner.

- **Modest scale of operations**

The operations of DCC are considered to be at moderate level despite firm being in the construction business since 2006. The modest scale of operations is marked by low operating revenue of Rs.18.20 crore in FY2019 as against Rs.11.56 crore in FY2018 and Rs.13.25 crore in FY2017.

Acuité believes that firm's ability to register growth in revenue while maintaining adequate profitability will be key sensitivity factor.

Rating Sensitivities

- Timely repayment of debt obligation
- Improvement in revenue along with profitability

Material Covenants

None

Liquidity position: Poor

The liquidity of DCC is poor led by persistent delays in servicing debt obligations.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	18.20	11.56
PAT	Rs. Cr.	1.47	0.93
PAT Margin	(%)	8.06	8.05
Total Debt/Tangible Net Worth	Times	1.45	1.43
PBDIT/Interest	Times	3.09	2.42

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

Not Applicable

Any other information

Acuité is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated requests and follow-ups.

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-17.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)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
16-Aug-2019	Cash Credit	Long Term	4.50	ACUITE B (Indicative)
	Bank Guarantee	Short Term	4.50	ACUITE A4 (Indicative)
11-Jun-2018	Cash Credit	Long Term	4.50	ACUITE B /Stable (Assigned)
	Bank Guarantee	Short Term	4.50	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	4.50	ACUITE D (Downgraded from ACUITE B)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	4.50	ACUITE D (Downgraded from ACUITE A4)

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About Acuité Ratings & Research:

Acuité Ratings & Research Limited (Erstwhile SMERA Ratings Limited) is a full-service Credit Rating Agency registered with the Securities and Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI), for Bank Loan Ratings under BASEL-II norms in the year 2012. Since then, it has assigned more than 6,000 credit ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Mumbai.

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