

Press Release

Devendra Construction Company

September 21, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 37.00 Cr.
Long Term Rating	ACUITE BB+ / Outlook: Stable
Short Term Rating	ACUITE A4+

* Refer Annexure for details

Rating Rationale

Acuite has assigned 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. 37.00 crore bank facilities of Devendra Construction Company (DCC). The outlook is '**Stable**'.

DCC was established in 2002 as a proprietorship firm by Mr. Devendra Vishnoi. DCC is engaged in the business of civil construction which primarily includes water pipe line work, pumping machineries jobs and civil works projects throughout the state of Rajasthan.

Analytical Approach

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

Key Rating Drivers:

Strengths

- **Experienced management**

DCC was established in 2002 as a proprietorship firm by Mr. Devendra Vishnoi. Mr Devendra Vishnoi has experience of more than 25 years.

- **Healthy order book position**

DCC has a healthy order book position marked by current orders in hand of Rs.283.00 crore as on date.

- **Average financial risk profile**

DCC has an average financial risk profile marked by a net worth of Rs.53.71 crore in FY2018 (Provisional) as against a net worth of Rs.50.98 crore in FY2017. The gearing stood low at 0.06 times in FY2018 (Provisional) as against 0.04 times in FY2017. The interest coverage ratio stood at 4.18 times in FY2018 (Provisional) as against 6.59 times in FY2017.

- **Comfortable working capital management**

The firm has a comfortable working capital management marked by Gross Current Asset (GCA) days of 65 (Provisional) in FY2018 as compared to 59 in FY2017. The GCA days are mainly dominated by debtor days of 36 in FY2018 as against 13 in FY2017.

Weaknesses

- **Tender based operations**

The revenue profile of the firm is susceptible to fluctuations as the revenues are dependent on successfully bidding for tenders. DCC booked revenue of Rs.132.40 crore in FY2018 (Provisional) as compared to Rs.102.53 crore in FY2017 and Rs.100.63 crore in FY2016.

- **Capital withdrawal risk**

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

Outlook: Stable

Acuite believes that DCC will maintain a 'Stable' outlook in the medium term on account of its experienced management. The outlook may be revised to 'Positive' if 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 lower-than-expected growth in revenues and profitability or if the financial risk profile deteriorates due to higher than expected working capital requirements

About the Rated Entity - Key Financials

	Unit	FY18 (Provisional)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	132.40	102.53	0.00
EBITDA	Rs. Cr.	4.19	2.74	0.00
PAT	Rs. Cr.	2.66	1.85	0.00
EBITDA Margin	(%)	3.16	2.67	2.70
PAT Margin	(%)	2.01	1.80	1.80
ROCE	(%)	6.65	4.27	4.69
Total Debt/Tangible Net Worth	Times	0.06	0.04	0.07
PBDIT/Interest	Times	4.18	6.59	6.04
Total Debt/PBDIT	Times	0.72	0.83	1.32
Gross Current Assets (Days)	Days	65	59	57

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>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Infrastructure Entities - <https://www.acuite.in/view-rating-criteria-14.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. Cr.)	Ratings/Outlook
Overdraft	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE BB+ / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	18.00	ACUITE A4+
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	17.00	ACUITE A4+

Contacts

Analytical	Rating Desk
<p>Aditya Gupta Head - Corporate and Infrastructure Sector Ratings Tel: 022-67141111 aditya.gupta@acuite.in</p> <p>Amogh Kharkar Analyst - Rating Operations Tel: 022-67141315 amogh.kharkar@acuite.in</p>	<p>Varsha Bist Manager - Rating Desk Tel: 022-67141160 rating.desk@acuite.in</p>

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.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Acuité ratings are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind arising from the use of its ratings. Acuité ratings are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité.