

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

Acuité 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

Acuité 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

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

About Acuité Ratings & Research:

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