

## Press Release

### Devendra Construction Company

February 02, 2022



### Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	2.00	ACUITE BB+   Stable   Reaffirmed	-
Bank Loan Ratings	35.00	-	ACUITE A4+   Reaffirmed
Total Outstanding Quantum (Rs. Cr)	37.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

### Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE BB+**' (read as **ACUITE double B plus**) and the short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs. 37.00 crore bank facilities of Devendra Construction Company. The outlook is '**Stable**'.

### About the Company

Jodhpur-based, M/s Devendra Construction Co (Partnership Firm) (DCC) was established in the year 2002 as a proprietorship firm by Mr. Devendra Vishnoi. Later, the constitution was changed to a partnership firm in the year 2018. Mr. Devendra Vishnoi, Mr. Yashpal Vishnoi and Mrs. Kamla Vishnoi are the current partners of the firm. DCC is engaged in the business of civil construction, which primarily includes water pipeline work, pumping machineries jobs and civil works projects throughout the state of Rajasthan and Punjab. It is enlisted as "AA" class contractor with Public Health & Engineering Department (PHED), Government of Rajasthan & "A" class contractor with Military Engineer Services (MES).

### Analytical Approach

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

### Key Rating Drivers

#### Strengths

#### Long track record of operations and experienced management

The partner of the firm, Mr. Devendra Vishnoi, has experience in the same industry for almost 2 decades. The extensive experience of the partners has helped them to develop a healthy relationship with its customers and suppliers. The key clients of the firm are the Public Health and Engineering Department, Rajasthan (PHED Rajasthan) and department of water supply and sanitation, Punjab (WSS Punjab). DCC has an unexecuted order book position of about Rs. 580.07 crore as on 31 December, 2021, which gives adequate revenue visibility.

## **Comfortable Financial risk profile and improvement in operating margins**

Financial risk profile of the firm remained comfortable marked by moderate net worth and debt protection metrics. The net worth of the firm stood at Rs.68.72 Crore as on 31 March 2021 (Audited) as against Rs.65.38 Crore as on 31 March 2020. The gearing level (debt-equity) stood low at 0.13 times as on 31 March 2021 (Audited). The total debt of Rs. 9.04 Crore as on 31 March 2021 (Audited) consists of long term debt of Rs. 5.60 Crore and unsecured loan of Rs.3.44 Crore. The interest coverage ratio (ICR) stood at 3.28 times in FY2021 (Audited) due to high EBITDA during the year. NCA/TD (Net Cash Accruals to Total Debt) ratio stood at 0.62 times in FY 2021 (Audited). Debt to EBITDA stood at 1.12 times in FY 2021 (Audited) as against

1.18 times in FY 2020. This is mainly due to low external debt and high EBITDA during the year. The EBITDA Margins have significantly improved to 11.49 percent for FY 2021 (Audited) as against 8.16 percent in FY 2020. The PAT margins have also improved to 6.83 percent in FY 2021 (Audited) as against 6.05 percent in FY 2020. This is mainly due to higher profitability margins earned in some of the order executed. Going forward, Acuité expects the company to maintain its financial risk profile and improve its net worth backed by steady accruals and absence of any major debt-funded capex plan.

## **Weaknesses**

### **Working Capital Intensive Operation**

The working capital cycle of DCC stood intensive marked by Gross Current Assets (GCA) days of 227 for FY 2021 (Audited) as against 186 for FY 2020. GCA days have increased due to dip in operating income in FY 2021. This is mainly caused by delay in execution of projects awarded due to Covid-19 pandemic followed by the nationwide lockdown. The inventory days stood low at 2 days in FY 2021 (Audited). Although the average utilization of bank limits stood at ~80 per cent in the last twelve months ending December, 2021. Acuité believes that the working capital operations are expected to remain at the same level with respect to the nature of the business cycle and will remain a key rating sensitivity factor.

### **Tender based operations**

The firm operates in a highly competitive industry due to the presence of many organized and unorganized players. The business of the firm depends upon the number of tenders floated by the government and bid success rate of the firm.

### **Competitive and fragmented industry**

The firm is engaged in infrastructure construction, wherein the sector is marked by the presence of several mid to big size players. The risk becomes more pronounced as tendering is based on the minimum amount of bidding on contracts, and susceptibility to inherent cyclicalities in the infrastructure segment. However, this risk is mitigated to an extent on account of experienced management.

## **Rating Sensitivities**

- Intensity of working capital operations.
- Ability to execute the projects at hand in timely manner.
- Ability to increase the revenue and profitability of the company

## **Material covenants**

None.

## **Liquidity Position: Adequate**

The firm has adequate liquidity marked by high net cash accruals to its maturing debt obligations. The firm generated cash accruals of Rs.5.63 Crore in FY 2021 (Audited). The cash accruals of the firm are estimated to remain in the range of around Rs. 8.57 Crore to Rs. 9.31 Crore during FY2022-23 as against CPLTD of Rs.2.52 & Rs. 3.04 Crore for the same period. The firm's working capital operations are moderate marked by Gross Current Asset (GCA) days of 227 days in FY 2021 (Audited). Firm maintains unencumbered cash and bank balances of Rs. 12.28 Crore as on 31 March 2021 (Audited). The current ratio stands at 1.54 times as on 31

### 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 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.

### Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	70.53	87.48
PAT	Rs. Cr.	4.82	5.29
PAT Margin	(%)	6.83	6.05
Total Debt/Tangible Net Worth	Times	0.13	0.13
PBDIT/Interest	Times	3.28	6.79

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

Not Applicable.

### Any other information

Not Applicable.

### Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

### Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

### Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
04 Nov 2020	Proposed Bank Facility	Long Term	0.25	ACUITE BB+   Stable (Reaffirmed)
	Bank Guarantee	Short Term	18.00	ACUITE A4+ (Reaffirmed)
	Bank Guarantee	Short Term	17.00	ACUITE A4+ (Reaffirmed)
	Secured Overdraft	Long Term	1.75	ACUITE BB+   Stable (Reaffirmed)
29 Aug 2019	Bank Guarantee	Short Term	18.00	ACUITE A4+ (Reaffirmed)
	Secured Overdraft	Long Term	2.00	ACUITE BB+   Stable (Reaffirmed)
	Bank Guarantee	Short Term	17.00	ACUITE A4+ (Reaffirmed)
21 Sep 2018	Secured Overdraft	Long Term	2.00	ACUITE BB+   Stable (Assigned)
	Bank Guarantee	Short Term	18.00	ACUITE A4+ (Assigned)
	Bank Guarantee	Short Term	17.00	ACUITE A4+ (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Punjab National Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	18.00	ACUITE A4+   Reaffirmed
HDFC Bank Ltd	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	17.00	ACUITE A4+   Reaffirmed
Punjab National Bank	Not Applicable	Overdraft	Not Applicable	Not Applicable	Not Applicable	1.75	ACUITE BB+   Stable   Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	0.25	ACUITE BB+   Stable   Reaffirmed

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### About Acuité Ratings & Research

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