

Press Release

Eversendai Construction Private Limited

May 02, 2022



Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	262.50	ACUITE BBB Stable Reaffirmed	-
Bank Loan Ratings	309.00	-	ACUITE A3+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	571.50	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed the long-term rating at '**ACUITE BBB**' (read as **ACUITE triple B**) and the short term rating at '**ACUITE A3+**' (read as **ACUITE A three plus**) on **Rs.571.50 crore** of bank facilities of Eversendai Construction Private Limited (ECPL). The outlook is '**Stable**'.

The ratings take into account satisfactory financial performance in FY21 and 11MFY22, comfortable financial risk profile, moderate order book and adequate liquidity. The above strengths are however, underpinned by working capital in intensive nature of operation, high unbilled revenue and risk associated with order pertaining to Sri Lanka.

About the Company

Eversendai Construction Private Limited (ECPL) commenced its operations in 2009 and operating from Chennai. ECPL have established a state of art steel fabrication facility over an area of 40 acres in facility in Trichy with annual capacity of 30000 Tons. The company is engaged in execution of supply-cum erection contracts as well as civil construction work. Directors of Eversendai Construction Private Limited are Mr. Kaliyappan Saravanan, Mr. Narla Srinivasa Rao, Mr. Anbu, Mr. Nathan Elumalay, and Mr. Narishnath Nathan.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of ECPL to arrive at the rating.

Key Rating Drivers

Strengths

Satisfactory financial performance in FY21

The total operating income of the company remained at similar level at Rs. 374.91 crore during FY21 as against Rs. 377.02 crore in FY20. The marginal moderation is on account of COVID Phase II. Further, the operating profit increased to Rs.50.55 crore in FY21 as against Rs. 35.19

crore in FY20, led by decline in cost of material and other expenses. The company reported net profit of Rs.6.18 crore in FY21 vis-à-vis Rs.5.65 crore in FY20. The company reported increase in net profit, despite increase in interest cost from Rs.18.50 crore in FY20 to Rs.22.74 crore in FY21. In line with increase in operating profit, the company witnessed increase in operating profit margin to 13.48% in FY21 from 9.33% in FY20. The net profit margin remained at similar level with marginal improvement by 15 bps to 1.65% in FY21 as against FY20.

During 11MFY22, as per the management, the company has already reported operating income of Rs. 475.65 crore.

Comfortable financial risk profile

The capital structure as represented by debt-equity continues to remain below unity, albeit it moderated marginally to 0.84 times as on March 31, 2021 as against 0.64 times as on March 31, 2020. The moderation is mainly on account of company availing additional term loan during FY21. The tangible net worth improved to Rs.185.57 crore as on March 31, 2021 vis-à-vis Rs. 178.79 crore as on March 31, 2020 led by accretion of profit to reserves. The interest coverage improved to 2.35 times in FY21 over 2.09 times in FY20, as a result of increase in operating profit, (despite increase in interest expense). The total outstanding liability to tangible net worth also improved marginally to 2.66 times in FY21 as against 2.70 times in FY20. The net cash accruals to total debt moderated to 0.18 times during FY21 vis-à-vis 0.25 times in FY20, led by increase in total debt. Similarly, debt-EBITDA also moderated to 2.91 times during FY21 as against 2.84 times in FY20.

Moderate order book

The company has an outstanding order book of Rs.640.45 crore as on March 2022. The tenor of the projects ranges between 15-93 months, thereby providing revenue visibility of short-term to long term. The order book is spread across 17 orders; wherein top three orders constitute to 65% of total order book, thereby reporting moderate concentration. The ticket size of orders ranges between Rs.0.05 crore- Rs. 173.47 crore. Further, the order book also comprises of work order pertaining to civil works, fabrication of steel and both. The company has been receiving repetitive orders from Marathon Realty Private Limited, DLF Home Developers, Shree Naman Residency Private Limited etc. The company has also been receiving mobilization advance of 10% from their client for execution of orders. In addition to this, the company also retains 5-15% of billing which is released on submission of bank guarantee.

Weaknesses

Working capital intensive nature of operations

The Gross Current Asset (GCA) days increased to 504 days in FY21 as against 471 days in FY20. The increase in GCA is mainly on account of increase in other current assets, in form of advance to suppliers from Rs.5.65 crore as on March 31, 2020 as against Rs.32.84 crore as on March 31, 2021. The company realises debtors within a month of raising bill. The debtors days improved to 89 days during FY21 over 109 days in FY20. The inventory days remained at 120 days in FY21 as against 94 days in FY20. The inventory days increased to 120 days in FY21 over 94 days in FY20. The creditors remained at higher level at 330-340 days in FY20-21. The average utilisation of fund based limit remained at ~75% for 12 months ending January 2022.

Higher outstanding balance of unbilled revenue

The unbilled revenue remained at Rs.202.53 crore as on March 31, 2021, which constitute to around 54% of total operating revenue in FY21. Hence, the ability of the company to realize the outstanding unbilled revenue on timely basis would be a critical factor.

Concentrated order book

The highest work order is being executed for Japan based entity (that has been rated at AA- by Japanese Credit Rating Agency). The order is w.r.t fabrication of steel and supply of the same for the construction of airport in Sri Lanka. Albeit, the bills would be realized from the Japanese Corporation, the demand and execution of order might be impacted by current social scenario in Sri Lanka.

Hence, ACUITE recognizes the risk associated with the order which constitute 27% of

outstanding order book and execution of the same to be a key factor.

ESG Factors Relevant for Rating

Not Applicable

Rating Sensitivities

>Significant improvement in order book.

>Any elongation of the working capital cycle leading to deterioration in debt protection metrics and liquidity profile.

>Any delay in execution of work orders and piling up of unbilled revenue.

Material covenants

None

Liquidity Position: Adequate

The liquidity profile of the company continues to remain adequate with net cash accruals of Rs. 27.29 crore during FY21 against debt obligation of Rs.16.02 crore, thereby providing sufficient cash accruals. Further, the company had outstanding cash and bank balance of Rs.36.28 crore as on March 31, 2021. The current ratio continues to remain above unity at 1.08 times as on March 31, 2021. The fund based utilization for past 12 months ending January 2022 remained at ~75%. The company has also availed COVID loan in order to support business operations of entity. The average monthly billing of the entity increased from Rs.29.0 crore in FY21 to Rs.44.0 crore in FY22.

Outlook: Stable

Acuité believes that the outlook on ECPL will remain 'Stable' over the medium term on account of its experienced promoter and long track record of operations. The outlook may be revised to 'Positive' in case of significant improvement in scale of operations while maintaining the profitability and successful execution of work orders. Conversely, the outlook may be revised to 'Negative' in case of any stretch in its working capital management or reduction in operating income of the company and delay in execution of work order.

Other Factors affecting Rating

Not Applicable

Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	374.91	377.02
PAT	Rs. Cr.	6.18	5.65
PAT Margin	(%)	1.65	1.50
Total Debt/Tangible Net Worth	Times	0.84	0.61
PBDIT/Interest	Times	2.35	2.09

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Service Sector: <https://www.acuite.in/view-rating-criteria-50.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
12 Jan 2021	Working Capital Demand Loan	Long Term	9.00	ACUITE BBB Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	4.50	ACUITE BBB Stable (Reaffirmed)
	Bank Guarantee	Short Term	205.57	ACUITE A3+ (Reaffirmed)
	Bank Guarantee	Short Term	88.00	ACUITE A3+ (Reaffirmed)
	Cash Credit	Long Term	50.00	ACUITE BBB Stable (Reaffirmed)
	Bank Guarantee	Short Term	25.00	ACUITE A3+ (Reaffirmed)
	Letter of Credit	Short Term	40.00	ACUITE A3+ (Reaffirmed)
	Secured Overdraft	Long Term	149.43	ACUITE BBB Stable (Reaffirmed)
05 Nov 2020	Bank Guarantee	Short Term	176.56	ACUITE A3+ (Reaffirmed)
	Cash Credit	Long Term	50.00	ACUITE BBB Stable (Reaffirmed)
	Bank Guarantee	Short Term	25.00	ACUITE A3+ (Reaffirmed)
	Bank Guarantee	Short Term	88.00	ACUITE A3+ (Reaffirmed)
	Letter of Credit	Short Term	182.44	ACUITE A3+ (Reaffirmed)
	Working Capital Demand Loan	Long Term	9.00	ACUITE BBB Stable (Assigned)
	Proposed Bank Facility	Long Term	0.50	ACUITE BBB Stable (Reaffirmed)
	Letter of Credit	Short Term	40.00	ACUITE A3+ (Reaffirmed)
30 Sep 2019	Letter of Credit	Short Term	40.00	ACUITE A3+ (Assigned)
	Bank Guarantee	Short Term	107.00	ACUITE A3+ (Assigned)
	Bank Guarantee	Short Term	36.50	ACUITE A3+ (Assigned)
	Bank Guarantee	Short Term	176.56	ACUITE A3+ (Assigned)
	Letter of Credit	Short Term	182.44	ACUITE A3+ (Assigned)
	Letter of Credit	Short Term	14.00	ACUITE A3+ (Assigned)
	Cash Credit	Long Term	15.00	ACUITE BBB Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
Indusind Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	88.00	ACUITE A3+ Reaffirmed
Bank of Baroda	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	110.00	ACUITE A3+ Reaffirmed
HDFC Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	71.00	ACUITE A3+ Reaffirmed
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	95.00	ACUITE BBB Stable Reaffirmed
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	100.00	ACUITE BBB Stable Reaffirmed
Indusind Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	40.00	ACUITE A3+ Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	36.50	ACUITE BBB Stable Reaffirmed
HDFC Bank Ltd	Not Applicable	Term Loan	Not available	Not available	Not available	22.00	ACUITE BBB Stable Reaffirmed
Bank of Baroda	Not Applicable	Working Capital Demand Loan (WCDL)	Not available	Not available	Not available	9.00	ACUITE BBB Stable Reaffirmed

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About Acuité Ratings & Research

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