



Press Release
EVERSENDI CONSTRUCTION PRIVATE LIMITED
July 18, 2023
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	236.50	ACUITE BBB Negative Reaffirmed Stable to Negative	-
Bank Loan Ratings	335.00	-	ACUITE A3+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	571.50	-	-

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 revised from '**Stable**' to '**Negative**'.

Rationale for rating reaffirmation and revision of outlook:

The outlook is revised on account of the declining operating income due to delayed execution of works, high unbilled revenue, and elongated working capital cycle during FY23. The operating income of the company stood at Rs. 433.49 Cr in FY2023 (Prov) as against Rs. 555.39 Cr in FY2022, primarily due to delayed execution of work contracts for supplying the structural steel for the airport construction in Sri Lanka. The project delay is primarily due to ongoing political crisis in the country. As on date, the order is terminated.

The operating margin stood at 9.74 percent during FY23 against 9.03 percent in FY22. The financial risk profile continues to remain moderate marked by moderate net worth position, capital structure, and comfortable coverage indicators. As on April, 2023 the outstanding unexecuted orderbook stood at ~Rs.932 Cr which will be executed over the medium term.

Going forward, ESPL's ability to improve its operations while maintaining its profitability and improving working capital operations will be a key rating monitorable.

About the Company

Chennai based, Eversendai Construction Private Limited (ECPL) commenced its operations in 2009. They have established a state of art steel fabrication facility over an area of 40 acres in Trichy with an annual capacity of 30000 Tons. The company is engaged in execution of supply-cum erection contracts, as well as civil construction work.

Eversendai is currently directed by 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

Experienced management and established track record of operations:

Eversendai Corporation Berhad (ECB) is a Malaysian company established in 1984. They are involved in a wide range of projects, including structural steelwork, power plant construction, and infrastructure development. ECB has its fabrication facilities located in various countries like Malaysia, Dubai, India, Sharjah, Qatar, and Thailand. The group has experience of more than three decades in construction of structural steel for Airports, high rise buildings and other commercial buildings especially in Middle eastern countries. They established the fabrication plant in India in 2014 at Trichy, named - Eversendai Constructions Private Limited (ECPL) with an annual fabrication capacity of 30,000 tons per annum.

Along with steel fabrications, ECPL also undertakes civil contract works. Its clientele includes Lodha Developers, DLF Home Developers, L&T Limited etc. Acuite believes that the expertise of the parent group and reputed clientele will support ECPL's business profile over the medium term.

Stable operating performance, albeit declining revenues in FY2023:

ECPL's revenue declined by 22 percent to Rs.433.49Cr during FY23 (Prov.) against Rs.555.39Cr in FY22, which is precisely due to the delay in execution of works in Sri Lanka. The company received an order worth Rs.174Cr from a Japan based entity for supply and fabrication of structural steel works in Sri Lanka, anticipated completion by June 30, 2023. The execution however was delayed due to the ongoing political crisis in Sri Lanka. As on date, the project stands terminated.

The unexecuted orderbook of the Company as on April, 2023 stands at Rs. 932.58 Cr. The outstanding tenor of the projects ranges between 3-24 months, thereby providing revenue visibility of short- term to medium term.

Operating margins remained stable, ranging between 9-9.75 percent in the similar range during past 2 years. During FY23 (Prov.) the company reported EBITDA margin of 9.74 percent against 9.03 percent during previous year. The net profit margin remained at similar level with marginal improvement by 10 bps to 1.40 percent in FY23 (Prov.) as against 1.30 percent in FY22. Acuite believes that operating income will improve in the medium term on account of healthy order book.

Moderate financial risk profile:

The financial risk profile of ECPL is moderate marked by moderate capital structure and debt protection metrics. Company's Net worth stood at Rs.34.41Cr as on March 31, 2023 (Prov.) against Rs.28.45Cr during previous year. Growth in net worth is primarily due to accretion of profits to reserves. The capital structure is moderate as observed from the gearing of 0.72 times as on March 31, 2023 (Prov.) against 0.77 times in FY22. Total outside liabilities to total net worth were at 2 times as on March 31, 2023 (Prov.) against 1.95times during the previous year. Debt protection metrics stood in the similar levels during FY23 as well. Interest coverage ratio (ICR) stood at 2.33 times as on March 31, 2023 against 2.45times during the previous year. Debt service coverage ratio (DSCR) improved to 1.39 times as on March 31, 2023 (Prov.) against 1.33 times during the previous year. Debt to EBITDA deteriorated to 3.08 times as on March 31, 2023 from 2.75 times of previous year. Acuite believes that financial risk profile will improve in the medium term on account of healthy capital structure and debt protection metrics.

Weaknesses

Intensive working capital operations:

Working capital operation of the company are intensive marked by high GCA days 313 days during FY23 (Prov.) against 243 days during the previous year. Deterioration in GCA days is attributable to increase in collection period and inventory holding period. Inventory levels depends up on the orders received during the period. Inventory days stood at 74 days during FY23 against 47 days in previous year, debtor days was at 51 days for FY23 against 27 days during the previous year. During FY 23 (Prov.) creditor days stood at 131 days against 127 days during previous year. ECPL was able to utilize its fund based working capital limits in a moderate range, as the average utilization of consolidated bank limits stood at 68 percent

during the past 6 months ending June 30, 2023. Acuite believes that working capital operation will remain intensive in the medium term.

Higher outstanding balance of unbilled revenue:

The unbilled revenue continued to remain at high levels during FY23 as well, unbilled revenue stood at Rs.196Cr as on March 31, 2023 (Prov.), which constitute around 45 percent of total operating revenue in FY23. Hence, the ability of the company to realize the outstanding unbilled revenue on timely basis remains a critical factor.

Rating Sensitivities

- Further 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

ECPL's liquidity position is adequate which is evident from the sufficient net cash accruals (NCA) against moderate debt repayment obligations. The company has reported NCA's of Rs.25.81Cr during FY23 (Prov.) against debt repayment obligations of Rs.13.17Cr for the same period. Going forward NCA's are expected to be in the range of Rs.27-39Cr in the medium term with the repayment obligations of Rs.8.65Cr to 11.7Cr for the same period. The company's working capital operations are intensive which is reflected by GCA days of 313 days as on March 31, 2023 (Prov.). Current ratio of the company stood at 1.18 times during FY23 (Prov.). Unencumbered cash and bank balances stood Rs.2.67Cr as on March 31, 2023 (Prov.). Acuite believes that liquidity position is expected to be adequate on account of sufficient cash accruals against repayment obligations.

Outlook: Negative

Acuite has revised its outlook to 'Negative' from 'stable' on account of elongation on the working capital operations and piling up of unbilled revenue. The rating may be downgraded in case of delayed execution of orders leading to decline in operating revenue and continued elongation in working capital operations. Conversely, the outlook may be revised to 'stable' in case of any improvement in operating income, working capital management and improvement in financial risk profile.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	433.49	555.39
PAT	Rs. Cr.	6.05	7.23
PAT Margin	(%)	1.40	1.30
Total Debt/Tangible Net Worth	Times	0.72	0.77
PBDIT/Interest	Times	2.33	2.45

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

None

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.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>
- Complexity Level Of Financial Instruments: <https://www.acuite.in/view-rating-criteria-55.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
02 May 2022	Bank Guarantee	Short Term	71.00	ACUITE A3+ (Reaffirmed)
	Bank Guarantee	Short Term	88.00	ACUITE A3+ (Reaffirmed)
	Cash Credit	Long Term	100.00	ACUITE BBB Stable (Reaffirmed)
	Letter of Credit	Short Term	40.00	ACUITE A3+ (Reaffirmed)
	Bank Guarantee	Short Term	110.00	ACUITE A3+ (Reaffirmed)
	Cash Credit	Long Term	95.00	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	22.00	ACUITE BBB Stable (Reaffirmed)
	Proposed Bank Facility	Long Term	36.50	ACUITE BBB Stable (Reaffirmed)
	Working Capital Demand Loan	Long Term	9.00	ACUITE BBB Stable (Reaffirmed)
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)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Indusind Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	109.00	ACUITE A3+ Reaffirmed
Bank of Baroda	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	110.00	ACUITE A3+ Reaffirmed
HDFC Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	71.00	ACUITE A3+ Reaffirmed
Bank of Baroda	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	95.00	ACUITE BBB Negative Reaffirmed Stable to Negative
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	100.00	ACUITE BBB Negative Reaffirmed Stable to Negative
Indusind Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	45.00	ACUITE A3+ Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	3.82	ACUITE BBB Negative Reaffirmed Stable to Negative
HDFC Bank Ltd	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	22.80	ACUITE BBB Negative Reaffirmed Stable to Negative
HDFC Bank Ltd	Not Applicable	Working Capital Term Loan	Not available	Not available	Not available	Simple	14.88	ACUITE BBB Negative Reaffirmed Stable to Negative

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in
Katta Akhil Analyst-Rating Operations Tel: 022-49294065 akhil.katta@acuite.in	

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & 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. Acuité has assigned 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 Kanjurmarg, Mumbai.

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