



Press Release
Eversendai Construction Private Limited
October 15, 2024
Rating Downgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	236.50	ACUITE BBB- Stable Downgraded Negative to Stable	-
Bank Loan Ratings	335.00	-	ACUITE A3 Downgraded
Total Outstanding Quantum (Rs. Cr)	571.50	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has downgraded the long-term rating to ‘**ACUITE BBB-**’ (read as **ACUITE triple B minus**) from ‘**ACUITE BBB**’ (read as **ACUITE triple Ba**) and the short term rating to ‘**ACUITE A3**’ (read as **ACUITE A three**) from ‘**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 to ‘**Stable**’ from ‘**Negative**’.

Rationale for rating downgrade and revision of outlook:

The rating downgrade and revision in outlook take into account of the decline in operating income in FY2024 and FY2023, high unbilled revenue and further elongation in the working capital operations in FY2024 and FY2023 as compared to FY2022. The year-over-year decline in turnover is attributed to fewer orders received in 2022 and 2023 and slow execution of orderbooks. The operating income stood at Rs.383.59 Cr. in FY2024(Prov.) and Rs.433.17 Cr. in FY2023 as against Rs.555.39 Cr. in FY2022. Further, the GCA days elongated to 333 days as on March 31, 2024 (Prov.) as against 318 days during the previous year. High GCA days attribute to high unbilled revenue of Rs.164.92 Cr. as on March 31, 2024.

However, the rating is supported by moderate increase in operating margins, increase in order book position, moderate financial risk profile and adequate liquidity.

Going forward, ESPL's ability to timely execute the order book and improve its 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.

Unsupported Rating

Not Applicable

Analytical Approach

Acuité 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:

The group company of ECPL is Eversendai Corporation Berhad (ECB) which 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.

Steady order flow

ECPL's unexecuted order book position stood at Rs.2233.46 Cr. as on July 2024, compared to Rs.932.58 Cr. as on April 2023. The substantial growth in order book is due to receipt of new orders worth Rs.1707.95 Cr. in 2024. The outstanding order book, which is 5.82 times of FY2024 (prov.) revenue, is expected to be executed in next 3-24 months, thereby promising a decent revenue visibility over the medium term.

However, Acuite observed that execution of orders worth Rs.144.38 Cr. have been delayed since 2019 due to contractee's funding issues. This, along with the execution of new orders received in 2024 draws a moderate execution risk on the revenue profile. Acuite believes that the timely completion of the outstanding order book is key monitorable.

Moderate financial risk profile:

The financial risk profile of ECPL is moderate marked by healthy net worth, low gearing and moderate debt protection metrics. The company's net worth stood at Rs.196.37 Cr. as on March 31, 2024 (Prov.) as against Rs.192.42 Cr. during the previous year. Growth in net worth is primarily due to the accretion of profits to reserves. The total debt of the company is relatively decreasing and stood at Rs.121.42 Cr. as on March 31, 2024(prov) as against Rs.139.43 Cr. in the previous year. The total debt consists of long-term debt of Rs.27.20 Cr., short term debt of Rs.85.96 Cr. and CPLTD of Rs.8.26 Cr.

The gearing level of the company is low with 0.62 times as on March 31, 2024 (Prov.) as against 0.72 times during the previous year. The Debt/ EBITDA moderately improved and stood at 2.67 times as on March 31, 2024(prov) as against 2.99 times as on March 31, 2023. Total outside liabilities to total net worth (TOL/TNW) stood at 1.74 times as on March 31, 2024 (prov) as against 2.00 times as on March 31, 2023.

Further, the debt protection metrics are moderate with Interest Coverage Ratio (ICR) at 2.08 times as on March 31, 2024 (prov) as against 2.40 times during the previous year. Debt service coverage ratio (DSCR) improved to 1.47 times as on March 31, 2024 (Prov.) as against 1.37 times during the previous year.

Acuite believes that the financial risk profile of the company continues to be moderate over the medium term, owing to the absence of any debt funded CAPEX.

Weaknesses

Declined top line, albeit improvement in the operating margins:

ECPL's revenue stood at Rs.383.59 Cr. in FY2024(prov) and Rs.433.17 Cr. in FY2023 as against Rs.555.39 Cr. in FY2022. The revenue comprises an equal portion of civil and steel fabrication work. The year-over-year decline in turnover is attributed to fewer orders received in 2022 and 2023. Additionally, many orders were in the final stages of completion, resulting in lower revenue bookings but higher margins.

The operations margins of the company improved and stood at 11.23 percent in FY2024(prov) as against 9.83 percent in FY2023. Steel fabrication works enjoy higher operating margins than civil works. The net profit margin registered a marginal decline to 1.08 percent in FY2024 (Prov.) as against 1.28 percent in FY2023. A decrease in the PAT margin is due to an increase in interest costs.

Further, the company reported revenue of Rs.107.33 Cr. for 4MFY2025 with an operating margin of 12.13 percent and a PAT margin of 1.34 percent.

Acuite believes that the operating revenue of the company will improve over the medium term owing to an increase in its order book.

Intensive working capital operations:

The working capital operations of the company are intensive marked by high GCA days 333 days as on March 31, 2024 (prov) as against 318 days during the previous year. Moderate deterioration in GCA days is attributable to an increase in collection period and inventory holding period. High GCA days attribute to high unbilled revenue of Rs.164.92 Cr. as on March 31, 2024. Inventory days stood at 76 days during March 31, 2024 (prov) as against 74 days in the previous year, and debtor days stretched to 69 days for March 31, 2024 (prov) as against 42 days during the previous year. Further, the company has created provision for debtors in FY2022 of Rs.10.67 Cr. The net debtors, after considering the provision, stand at Rs.64.25 Cr. for FY2024. The o/s debtor consisting of more than one year is ~59 percent. This includes intercompany payments pending, GST related issues and others.

The creditor days of the company are high and stood at 224 days as on March 31, 2024 (prov) as against 232 days for the previous year. ECPL has utilized its fund based working capital limits in a moderate range, as the average utilization of consolidated bank limits stood at 48.97 percent during the past 11 months ending August 2024. Acuite believes that working capital operations will remain intensive over the medium term.

Higher outstanding balance of unbilled revenue:

The unbilled revenue continued to remain at high levels during FY2024(prov) as well, unbilled revenue stood at Rs.164.92 Cr. as on March 31, 2024 (Prov.), which constitutes around 43 percent of total operating revenue in FY2024. Hence, the ability of the company to realize the outstanding unbilled revenue on a timely basis remains a critical factor.

Rating Sensitivities

- Significant improvement in the operating income.
- Any 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.

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.23.08 Cr. during FY2024 (Prov.) against debt repayment obligations of Rs.8.65 Cr. for the same period. Going forward NCA's are expected to be in the range of Rs.27-32 Cr. in the medium term with the repayment obligations of Rs.8.65 Cr. – Rs.9.00 Cr. for the same period.

The company's working capital operations are intensive which is reflected by GCA days of 333 days as on March 31, 2024 (Prov.), current ratio of the company stood at 1.31 times during FY2024 (Prov.). Unencumbered cash and bank balances stood Rs.11.90 Cr. as on March 31, 2024 (Prov.).

Acuite believes that liquidity position is expected to be adequate on account of sufficient cash accruals against repayment obligations.

Outlook: Stable**Other Factors affecting Rating**

None

Key Financials

Particulars	Unit	FY 24 (Provisional)	FY 23 (Actual)
Operating Income	Rs. Cr.	383.59	433.17
PAT	Rs. Cr.	4.16	5.55
PAT Margin	(%)	1.08	1.28
Total Debt/Tangible Net Worth	Times	0.62	0.72
PBDIT/Interest	Times	2.08	2.40

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>
- 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>

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
18 Jul 2023	Cash Credit	Long Term	100.00	ACUITE BBB Negative (Reaffirmed)
	Cash Credit	Long Term	95.00	ACUITE BBB Negative (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	3.82	ACUITE BBB Negative (Reaffirmed)
	Working Capital Term Loan	Long Term	22.80	ACUITE BBB Negative (Reaffirmed)
	Working Capital Term Loan	Long Term	14.88	ACUITE BBB Negative (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	109.00	ACUITE A3+ (Reaffirmed)
	Letter of Credit	Short Term	45.00	ACUITE A3+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	110.00	ACUITE A3+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	71.00	ACUITE A3+ (Reaffirmed)
02 May 2022	Cash Credit	Long Term	100.00	ACUITE BBB Stable (Reaffirmed)
	Cash Credit	Long Term	95.00	ACUITE BBB Stable (Reaffirmed)
	Working Capital Demand Loan (WCDL)	Long Term	9.00	ACUITE BBB Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	36.50	ACUITE BBB Stable (Reaffirmed)
	Term Loan	Long Term	22.00	ACUITE BBB Stable (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	88.00	ACUITE A3+ (Reaffirmed)
	Letter of Credit	Short Term	40.00	ACUITE A3+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	110.00	ACUITE A3+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	71.00	ACUITE A3+ (Reaffirmed)
12 Jan 2021	Cash Credit	Long Term	50.00	ACUITE BBB Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	4.50	ACUITE BBB Stable (Reaffirmed)
	Secured Overdraft	Long Term	149.43	ACUITE BBB Stable (Reaffirmed)
	Working Capital Demand Loan (WCDL)	Long Term	9.00	ACUITE BBB Stable (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	205.57	ACUITE A3+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	88.00	ACUITE A3+ (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	25.00	ACUITE A3+ (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	Quantum (Rs. Cr.)	Complexity Level	Rating
Indusind Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	109.00	Simple	ACUITE A3 Downgraded (from ACUITE A3+)
Bank of Baroda	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	110.00	Simple	ACUITE A3 Downgraded (from ACUITE A3+)
HDFC Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	71.00	Simple	ACUITE A3 Downgraded (from ACUITE A3+)
Bank of Baroda	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	95.00	Simple	ACUITE BBB- Stable Downgraded Negative to Stable (from ACUITE BBB)
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	100.00	Simple	ACUITE BBB- Stable Downgraded Negative to Stable (from ACUITE BBB)
Indusind Bank Ltd	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	45.00	Simple	ACUITE A3 Downgraded (from ACUITE A3+)
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	3.82	Simple	ACUITE BBB- Stable Downgraded Negative to Stable (from ACUITE BBB)
HDFC Bank Ltd	Not avl. / Not appl.	Working Capital Term Loan	30 Sep 2022	Not avl. / Not appl.	01 Sep 2028	22.80	Simple	ACUITE BBB- Stable Downgraded Negative to Stable (from ACUITE BBB)
HDFC Bank Ltd	Not avl. / Not appl.	Working Capital Term Loan	08 Apr 2021	Not avl. / Not appl.	01 Jul 2026	14.88	Simple	ACUITE BBB- Stable Downgraded Negative to Stable (from ACUITE BBB)

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About Acuité Ratings & Research

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