

Press Release

Dee Vee Projects Limited

February 27, 2020

Rating Assigned



Total Bank Facilities Rated*	Rs.350.00 Cr.
Long Term Rating	ACUITE A/Stable (Assigned)
Short Term Rating	ACUITE A1 (Assigned)

* Refer Annexure for details

Rating Rationale

Acuité has assigned the long term rating of '**ACUITE A**' (**read as ACUITE A**) and the short term rating of '**ACUITE A1**' (**read as ACUITE A one**) to Rs.350 crores bank facilities of Dee Vee Projects Limited (DVPL). The outlook is '**Stable**'.

Incorporated in 2012, Dee Vee Projects Limited (DVPL) is engaged in civil construction work for buildings, roads and railway infrastructure projects for the central government and the state government agencies of Chhattisgarh, Madhya Pradesh, Maharashtra, Goa, Telangana, Odisha and Jharkhand. Currently, the company is managed by Mr. Dinesh Kumar Patel, Mr. Vikas Ranjan Mahto, Mr. Navin Kumar Patel and Mr. Vivek Ranjan Mahto, who are actively involved in the day to day operations of the company. The promoters had started their construction activities in the form of a partnership firm under the name of Patel Enterprises in 1989 and the constitution was changed in 2012 under its current name.

Analytical Approach

Acuité has taken a standalone view of the business and financial risk profile of DVPL to arrive at the rating.

Key Rating Drivers

Strengths

- **Experienced management and healthy order book position**

The key promoters of DVPL, Mr. Dinesh Kumar Patel, Mr. Vikas Ranjan Mahto, Mr. Navin Kumar Patel and Mr. Vivek Ranjan Mahto have been in the civil construction industry for over three decades. The long standing experience has been through their erstwhile partnership concern, Patel Enterprises. They had started off with civil construction activities primarily in the building segment in Chhattisgarh. The entity bids only for Government projects. DVPL has achieved revenues of Rs.747.75 crores in FY2019 as compared to revenues of Rs.696.27 crores in FY2018, thereby registering a y-o-y growth of 7.39 per cent. Moreover, the company has achieved revenues of around Rs.570 crores till December 2019 (Provisional). The long experience has helped them execute large orders such as widening of Raipur Airport Highway. In addition to this, the company has a healthy order book position as on 31st October, 2019 to the tune of Rs.3100 crores, thus providing comfortable revenue visibility over the medium term. Acuité derives comfort from the long experience of the promoters in the civil construction space and strong order book position.

- **Moderate geographic and segmental diversity**

Initially, the entity started with execution of only building projects in the state of Chhattisgarh. Over the years, the company has successfully been able to diversify both geographically and segmentally. In terms of geography, the company is executing projects in Chhattisgarh, Madhya Pradesh, Maharashtra, Odisha, Jharkhand, Goa and Telangana with no significant dependence on any particular state. On the segmental diversification front, the company has now broadened their scope of work to include road and integrated infrastructure as against only building at the time of inception. The segmental diversification is also evident from the reducing share of building projects in their total revenue gamut. The share of building in total revenue has come down from 78 percent in FY2018 to

about 35 percent in the current unexecuted orders. The differential has been filled by their increased presence in road and other integrated projects. The rating draws comfort from their presence across geographies along with moderate segmental diversification thus mitigating any concentration risk.

• Robust financial risk profile

The company's healthy financial risk profile is marked by healthy networth, low gearing and healthy debt protection metrics. The tangible net worth of the company improved to Rs.129.79 crore as on March 31, 2019 from Rs.109.36 crore as on March 31, 2018 due to accretion of reserves. Gearing of the company stood comfortable at 0.64 times as on March 31, 2019 as against 0.75 times as on March 31, 2018. The debt of Rs.83.19 crore mainly consists of long term borrowings for equipment financing of Rs.46.12 crore, working capital borrowing of Rs.12.95 crore, current obligations of Rs.22.59 crore and unsecured loan of Rs.1.53 crore as on March 31, 2019. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood comfortable at 2.34 times as on March 31, 2019 as against 2.95 times as on March 31, 2018. The healthy debt protection metrics of the company is marked by Interest Coverage Ratio at 6.94 times as on March 31, 2019 and Debt Service Coverage Ratio at 1.75 times as on March 31, 2019. Net Cash Accruals/Total Debt (NCA/TD) stood low at 0.64 times as on March 31, 2019. Acuité believes that going forward the financial risk profile of the company will remain strong backed by steady accruals and no major debt funded capex plans.

Weakness

• Competitive industry

The civil construction sector is marked by the presence of several mid to big size players. The company faces intense competition from the other players in the sectors. However, this risk is mitigated to an extent on account of the extensive experience of the management and well established presence in the industry.

Rating Sensitivity

- Sustainability in their growth in scale of operations while maintaining profitability margin
- Reduction in order flow

Material Covenant

None

Liquidity Profile

The company's liquidity is strong marked by the net cash accruals stood at Rs.53.26 crores on March 31, 2019 as against long term debt repayment of Rs.22.59 crores over the same period. The current ratio stood at 1.26 times as on March 31, 2019 as compared to 1.22 times as on March 31, 2018. The fund based limit remains utilised at only 51 per cent over the twelve months ended October, 2019. The unencumbered cash and bank balances of the company stood at Rs.15.48 crores as on March 31, 2019. The working capital management of the company is moderate as reflected by Gross Current Assets (GCA) of 132 days in March 31, 2019 as against 143 days in March 31, 2019. Acuité believes that going forward the company will maintain strong liquidity position due to consistent accruals and healthy networth base.

Outlook: Stable

Acuité believes the outlook on Dee Vee Projects Limited will remain stable over the medium term on account of vast experience of the promoters, long track record of operations and strong financial risk profile. The outlook may be revised to 'Positive' in case the company registers healthy growth in revenues while achieving sustained improvement in operating margins, capital structure and working capital management. Conversely, the outlook may be revised to 'Negative' in case of decline in the company's revenues or profit margins, or in case of deterioration in the company's financial risk profile and liquidity position or delay in completion of its projects or further deterioration in its working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY19 (Actual)	FY18 (Actual)
Operating Income	Rs. Cr.	747.75	696.27
PAT	Rs. Cr.	20.02	23.03
PAT Margin	(%)	2.68	3.31
Total Debt/Tangible Net Worth	Times	0.64	0.75
PBDIT/Interest	Times	6.94	8.51

Status of non-cooperation with previous CRA

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Default Recognition- <https://www.acuite.in/view-rating-criteria-17.htm>
- Entities in Service Sector - <http://acuite.in/view-rating-criteria-8.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
Cash Credit	14-03-2018	Not Applicable	Not Applicable	8.00	ACUITE A/Stable (Assigned)
Cash Credit	14-03-2018	Not Applicable	Not Applicable	4.00	ACUITE A/Stable (Assigned)
Cash Credit	14-03-2018	Not Applicable	Not Applicable	2.00	ACUITE A/Stable (Assigned)
Cash Credit	14-03-2018	Not Applicable	Not Applicable	2.00	ACUITE A/Stable (Assigned)
Proposed Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A/Stable (Assigned)
Term Loan	05-04-2018	Not Applicable	05-09-2020	2.19	ACUITE A/Stable (Assigned)
Term Loan	10-09-2017	Not Applicable	20-11-2022	7.11	ACUITE A/Stable (Assigned)
Term Loan	07-09-2016	Not Applicable	05-08-2022	6.76	ACUITE A/Stable (Assigned)
Term Loan	18-06-2019	Not Applicable	18-04-2023	10.08	ACUITE A/Stable (Assigned)
Term Loan	01-05-2017	Not Applicable	07-07-2022	1.99	ACUITE A/Stable (Assigned)
Term Loan	01-11-2017	Not Applicable	01-09-2020	0.21	ACUITE A/Stable (Assigned)
Term Loan	04-02-2018	Not Applicable	10-04-2022	3.78	ACUITE A/Stable (Assigned)

Term Loan	10-04-2019	Not Applicable	10-12-2021	1.75	ACUITE A/Stable (Assigned)
Term Loan	03-11-2017	Not Applicable	20-02-2022	6.07	ACUITE A/Stable (Assigned)
Term Loan	15-11-2018	Not Applicable	15-04-2021	0.06	ACUITE A/Stable (Assigned)
Term Loan	01-04-2014	Not Applicable	01-03-2021	0.02	ACUITE A/Stable (Assigned)
Term Loan	21-09-2017	Not Applicable	03-01-2021	0.90	ACUITE A/Stable (Assigned)
Term Loan	08-07-2019	Not Applicable	08-06-2020	0.80	ACUITE A/Stable (Assigned)
Term Loan	02-12-2017	Not Applicable	02-03-2022	5.73	ACUITE A/Stable (Assigned)
Term Loan	02-02-2019	Not Applicable	02-12-2021	1.33	ACUITE A/Stable (Assigned)
Term Loan	22-02-2018	Not Applicable	22-03-2022	6.02	ACUITE A/Stable (Assigned)
Proposed fund based facility	Not Applicable	Not Applicable	Not Applicable	38.20	ACUITE A/Stable (Assigned)
Bank Guarantee	14-03-2018	Not Applicable	Not Applicable	61.87	ACUITE A1 (Assigned)
Bank Guarantee	14-03-2018	Not Applicable	Not Applicable	65.00	ACUITE A1 (Assigned)
Bank Guarantee	14-03-2018	Not Applicable	Not Applicable	21.00	ACUITE A1 (Assigned)
Bank Guarantee	14-03-2018	Not Applicable	Not Applicable	28.00	ACUITE A1 (Assigned)
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	20.13	ACUITE A1 (Assigned)
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	25.00	ACUITE A1 (Assigned)
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	15.00	ACUITE A1 (Assigned)

Contacts

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About Acuité Ratings & Research:

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