

Press Release

Dee Vee Projects Limited

March 09, 2021



Rating Reaffirmed and Assigned

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

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long term rating of '**ACUITE A**' (**read as ACUITE A**) and short term rating of '**ACUITE A1**' (**read as ACUITE A one**) on the Rs.350.00 Cr bank facilities of Dee Vee Projects Limited (DVPL). The outlook remains '**Stable**'.

The rating on DVPL takes into account a steady growth in its revenues, a healthy order book position buoyed by increasing public investments in infrastructure and improving geographical diversity in its clientele. The rating is also supported by the management track record in the civil construction sector, its comfortable financial profile and strong liquidity position. These strengths are however, partly offset by the working capital intensity of the business and the risk of delayed payments from DVPL's clients.

About the company

Incorporated in 2012, Dee Vee Projects Limited (DVPL) is a Chhattisgarh based company engaged in construction work of buildings, bridges, roads, irrigation works, electrification and railway infrastructure for Central Government and State Government entities. Currently, the company is headed by Mr. Dinesh Kumar Patel, Mr. Vikas Ranjan Mahto, Mr. Navin Kumar Patel and Mr. Vivek Ranjan Mahto, who all are promoter directors with more than three decades of experience. The entity started operations as a partnership firm by the name of M/s Patel Enterprises in 1989 which was reconstituted to a closely held company with its current name in 2012.

Analytical Approach

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

Key Rating Drivers

Strengths

- Established track record of operations and experienced management**

Established in 2012, Dee Vee Projects Limited (DVPL) has a long operational track record of more than three decades in the civil construction industry, through their erstwhile partnership concern, M/S Patel Enterprises. The company is currently managed by Mr. Dinesh Kumar Patel, Mr. Vikas Ranjan Mahto, Mr. Navin Kumar Patel and Mr. Vivek Ranjan Mahto. The long standing experience of the promoters has helped them to establish comfortable relationships with their key suppliers and customers. Acuité believes that the long track record of operations will benefit the company going forward resulting in steady growth in the scale of operations.

- Consistent revenue growth and strong order book**

Dee Vee Projects Limited has achieved revenues of Rs.755.63 Cr in FY2020 as compared to Rs.696.27 Cr in FY2018, thereby registering a 2-year CAGR of 4.17 per cent. The company has achieved revenues of around Rs.617.89 Cr till January 2021 (Provisional). The growth in top line is on account of better order execution as well as thrust in the infrastructure sector. The company has an order book position as on 31st December, 2020 to the tune of about Rs.2617.40 Cr. Acuité believes that the healthy order book position of the company imparts comfortable revenue visibility over the medium term.

- Geographically well-diversified**

The entity started with execution of only building projects in Chhattisgarh. Over the years, the company has successfully been able to diversify in multiple locations. In terms of geography, the company is executing

projects in Chhattisgarh, Madhya Pradesh, Maharashtra, Odisha, Jharkhand, Goa, Telangana, Jharkhand and Delhi NCR region with no significant dependence on any particular state.

Moreover, DVPL has moderate segmental diversification, as it is into construction of commercial complexes, high rise buildings, integrated townships, residential projects, corporate office buildings, retail and institutional buildings, bridges, roads, irrigation works, electrification and railway infrastructure. The rating draws comfort from their presence across geographies along with moderate segmental diversification thus partly negating any concentration risk.

- **Comfortable financial risk profile**

The company's prudent financial risk profile is marked by healthy networth, comfortable gearing and strong debt protection metrics. The tangible net worth of the company improved to Rs.162.37 crore as on March 31, 2020 from Rs.129.79 crore as on March 31, 2019 due to accretion of reserves. Gearing of the company stood below unity at 0.44 times as on March 31, 2020 as against 0.86 times as on March 31, 2019. The debt of Rs.71.24 crore mainly consists of long term borrowings of Rs.24.43 crore, unsecured loans of Rs.7.64 crore, working capital borrowing of Rs.11.46 crore and current obligations of Rs.27.71 crore as on March 31, 2020. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood at 1.83 times as on March 31, 2020 as against 2.34 times as on March 31, 2019. The strong debt protection metrics of the company is marked by Interest Coverage Ratio at 6.77 times as on March 31, 2020 and Debt Service Coverage Ratio at 1.96 times as on March 31, 2020. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.79 times as on March 31, 2020. Acuité believes that going forward the financial risk profile of the company will remain at similar level backed by steady accruals and no major debt funded capex plans.

Weakness

- **Moderate working capital management**

The moderate working capital management of the company is marked by Gross Current Assets (GCA) of 137 days as on 31st March 2020 as compared to 132 days as on 31st March 2019. The debtor period stood at 63 days as on 31st March 2020 same as 31st March 2019. Further, the inventory holding is comfortable at 9 days as on 31st March 2020 as compared to 17 days as on 31st March 2019. The increased GCA days are on account of high level of current assets due to earnest money deposits & security deposits. Acuité believes that the working capital operations of the firm will remain at similar levels over the medium term owing to the nature of the industry.

Rating Sensitivity

- Any deterioration in the working capital metrics
- Sustainability in their growth in scale of operations while maintaining profitability margin
- Reduction in order flow

Material Covenant

None

Liquidity Profile: Adequate

The company's liquidity position is adequate marked by net cash accruals of Rs.55.95 Cr in FY'2020 as against long term debt repayment of Rs.22.59 Cr over the same period. The fund based limit remains utilized at only 22 per cent over the nine months ended December, 2020. The unencumbered cash and bank balances of the company stood at Rs.10.08 Cr as on March 31, 2020. The current ratio stood at 1.25 times as on March 31, 2020 as compared to 1.30 times as on March 31, 2019. The company has availed 5 months loan moratorium. Acuité believes that going forward the company will maintain adequate liquidity position due to steady accruals and healthy networth base.

Outlook: Stable

Acuité believes that the outlook on DVPL will remain 'Stable' over the medium term on account of the long track record of operations, sound business and healthy financial risk profile. The outlook may be revised to 'Positive' in case of significant growth in revenue or operating margins from the current levels while sustaining their financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of decline in revenue or operating margins or further elongation in its working capital cycle.

About the Rated Entity - Key Financials (Standalone)

	Unit	FY20 (Actual)	FY19 (Actual)
Operating Income	Rs. Cr.	755.63	747.75
PAT	Rs. Cr.	27.08	20.02
PAT Margin	(%)	3.58	2.68
Total Debt/Tangible Net Worth	Times	0.44	0.86
PBDIT/Interest	Times	6.77	6.94

Status of non-cooperation with previous CRA

- India Ratings & Research, vide its press release dated Nov 4, 2020 had denoted the rating of Dee Vee Projects Limited as 'IND BB+/Stable/A4+; ISSUER NOT COOPERATING'.
- CARE, vide its press release dated Jul 1, 2020 had denoted the rating of Dee Vee Projects Limited as 'CARE BB+/Stable/A4+; ISSUER NOT COOPERATING'.

Any other information

Not Applicable

Applicable Criteria

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

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount	Ratings/Outlook
			(Rs. Crore)	
25-02-2020	Cash Credit	Long Term	8	ACUITE A/Stable (Assigned)
	Cash Credit	Long Term	4	ACUITE A/Stable (Assigned)
	Cash Credit	Long Term	2	ACUITE A/Stable (Assigned)
	Cash Credit	Long Term	2	ACUITE A/Stable (Assigned)
	Proposed Cash Credit	Long Term	5	ACUITE A/Stable (Assigned)
	Term Loan	Long Term	2.19	ACUITE A/Stable (Assigned)
	Term Loan	Long Term	7.11	ACUITE A/Stable (Assigned)
	Term Loan	Long Term	6.76	ACUITE A/Stable (Assigned)
	Term Loan	Long Term	10.08	ACUITE A/Stable (Assigned)
	Term Loan	Long Term	1.99	ACUITE A/Stable (Assigned)
	Term Loan	Long Term	0.21	ACUITE A/Stable (Assigned)
	Term Loan	Long Term	3.78	ACUITE A/Stable (Assigned)

Term Loan	Long Term	1.75	ACUITE A/Stable (Assigned)
Term Loan	Long Term	6.07	ACUITE A/Stable (Assigned)
Term Loan	Long Term	0.06	ACUITE A/Stable (Assigned)
Term Loan	Long Term	0.03	ACUITE A/Stable (Assigned)
Term Loan	Long Term	0.9	ACUITE A/Stable (Assigned)
Term Loan	Long Term	0.8	ACUITE A/Stable (Assigned)
Term Loan	Long Term	5.73	ACUITE A/Stable (Assigned)
Term Loan	Long Term	1.33	ACUITE A/Stable (Assigned)
Term Loan	Long Term	6.02	ACUITE A/Stable (Assigned)
Proposed Term Loan	Long Term	38.2	ACUITE A/Stable (Assigned)
Bank Guarantee	Short Term	61.87	ACUITE A1 (Assigned)
Bank Guarantee	Short Term	65	ACUITE A1 (Assigned)
Bank Guarantee	Short Term	21	ACUITE A1 (Assigned)
Bank Guarantee	Short Term	28	ACUITE A1 (Assigned)
Proposed Bank Guarantee	Short Term	20.13	ACUITE A1 (Assigned)
Proposed Bank Guarantee	Short Term	25	ACUITE A1 (Assigned)
Proposed Bank Guarantee	Short Term	15	ACUITE A1 (Assigned)

***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	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE A/Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	4.00	ACUITE A/Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A/Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	2.00	ACUITE A/Stable (Reaffirmed)
Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE A/Stable (Assigned)
Term Loan	Not Applicable	Not Applicable	Not Applicable	6.47	ACUITE A/Stable (Reaffirmed)

Term Loan	Not Applicable	Not Applicable	Not Applicable	5.77	ACUITE A/Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	8.53	ACUITE A/Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.77	ACUITE A/Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.06	ACUITE A/Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	3.16	ACUITE A/Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	1.34	ACUITE A/Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	4.55	ACUITE A/Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.04	ACUITE A/Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.29	ACUITE A/Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	7.02	ACUITE A/Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	1.18	ACUITE A/Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	3.840	ACUITE A/Stable (Reaffirmed)
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.91	ACUITE A/Stable (Assigned)
Term Loan	Not Applicable	Not Applicable	Not Applicable	0.8	ACUITE A/Stable (Assigned)
Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	38.4	ACUITE A/Stable (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	61.87	ACUITE A1 (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	65.00	ACUITE A1 (Reaffirmed)

Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	21.00	ACUITE A1 (Reaffirmed)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	28.00	ACUITE A1 (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	24.00	ACUITE A1 (Reaffirmed)
Proposed Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	45.00	ACUITE A1 (Reaffirmed)

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About Acuité Ratings & Research:

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