



Press Release
Dharamraj Contracts India Private Limited
September 08, 2023
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	25.00	ACUITE BBB- Stable Reaffirmed	-
Bank Loan Ratings	120.00	-	ACUITE A3 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	145.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and its short-term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs. 145.00 crore bank facilities of Dharamraj Contracts India Private Limited (DCIPL). The outlook is '**Stable**'.

Rationale for reaffirmation

The rating reaffirmation takes into consideration the moderate financial risk profile and the stable business risk profile of the company. The revenue of the company stood at Rs. 136.17 crore in FY2023 as against Rs.137.61 crore in FY2022. The operating margin stood at 20.73 percent in FY2023 as against 20.11 percent in FY2022. The company has an unexecuted order book of ~Rs.436 crore as on August 2023 Out of which only one order of ~Rs.43.00 crore has been awarded in FY2023. The ability of the company to successfully bid for new projects leading to improved revenue visibility will remain key monitorable in medium term. The ratings are also constrained by the working capital-intensive nature of operations of the company.

About the Company

Incorporated in 2010 by Mr. Raj Singh and Mr. Chaman Singh, DCIPL is a Delhi-based company involved in the construction of roads and subways for both government and private entities. It is a class "AA" contractor with Ghaziabad Development Authority, Noida Development Authority and various Public Works Departments (PWDs). The promoters of the company have been in this line of business for the past two decades (earlier, promoters were engaged in the same line of business as a sub-contractor through a proprietorship concern till 2010).

Analytical Approach

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

Key Rating Drivers

Strengths

Established track record of operations and experienced management

DCIPL was incorporated in the year 2010 by Mr. Chaman Singh along with his father Mr. Singh

Raj Singh. The directors of the company hold experience of more than two decades in the aforementioned line of business. The extensive experience of the promoters is reflected through the established relationships with the company's customers and suppliers. Acuité believes that DCIPL will continue to benefit from its established track record of operations and experienced management.

Moderate financial risk profile

The tangible net worth of the company stood at Rs.61.35 crore as on March 31, 2023 (Prov), as against Rs.51.40 crore as on March 31, 2022. The increase in the net worth is due to accretion of profits to reserves. The gearing of the company stood at 1.35 times as on March 31, 2023(Prov), as against 1.95 times as on March 31, 2022. The total debt of the company consists of long-term debt of Rs.5.83 crore, unsecured loans of Rs.28.28 crore and short-term debt of Rs.37.02 crore as on March 31, 2023 (Prov). The interest coverage ratio stood at 2.73 times as on March 31, 2023 (Prov) as against 2.32 times as on March 31, 2022. The DSCR stood at 1.01 times as on March 31, 2023 (Prov), as against 1.26 times as on March 31, 2022. The DSCR is expected to improve in the medium term on account of low maturing debt obligations. Acuité believes that the financial risk profile of the company is expected to remain moderate in the absence of any debt funded capex in medium term.

Weaknesses

Working capital intensive nature of operations

The company's operations are working capital intensive as evident from the GCA days of 269 days as on March 31, 2023 (Prov) as against GCA days of 298 days as on March 31, 2022. The inventory days stood at 88 days for FY23(Prov) as against 64 days for FY22. The inventory consists of Raw materials and Work in progress. Average inventory holding period is around 45 days. The company has been able to bring down debtor realization period to 85 days for FY23(Prov) as against 135 days for FY22. The average credit period allowed to the customers is around 50-60 days. The retention money amount is also included in the debtors. The creditors days stood at 92 days for FY23(Prov) against 86 days for FY22. The average credit period received from the supplier is around 90 days. The average utilization of the bank limits are high at around 96 percent for six months ending July'2023. Acuité believes that the ability of the company to improve its working capital operations will remain a key sensitivity in medium term.

High geographical concentration

The company's projects are majorly based in Uttarakhand, thereby implying high geographic concentration. The company's ability to successfully bid for projects in other areas would be a key to expand their base.

Rating Sensitivities

Improvement in the business risk profile led by the receipt of new orders
Substantial improvement in working capital management
Any deterioration of its financial risk profile and liquidity position

All Covenants

Not Applicable

Liquidity position: Stretched

The company has a stretched liquidity position marked by low net cash accruals against the maturing debt obligations. The company generated cash accruals of Rs.15.34 crore in FY23(Prov) as against maturing debt obligations of Rs. 15.04 Cr (excluding Rs.15.24 cr of revolving credit facility availed for procurement of raw material) over the same period. The company is estimated to generate cash accruals of Rs.18.84-19.72 crore over the period 2024-2025 against maturing debt obligations of Rs.0.74-5.00 crore over the same period. The

company maintains unencumbered cash and bank balance of Rs.0.42 crore as on March 31, 2023(Prov). The current ratio is moderate at 1.71 times as on March 31, 2023(Prov).

Outlook: Stable

Acuité believes that DCIPL will maintain a 'Stable' outlook and will continue to derive benefit over the medium term due to its extensive experience of promoters and moderate financial risk profile. The outlook may be revised to 'Positive', if the company demonstrates substantial and sustained growth in its revenues from the current levels while maintaining its capital structure. Conversely, the outlook may be revised to 'Negative' if the company generates lower-than-anticipated cash accruals, most likely due to significant debt-funded capex or any significant withdrawal of capital, thereby impacting its financial risk profile, particularly its liquidity.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Provisional)	FY 22 (Actual)
Operating Income	Rs. Cr.	136.17	137.61
PAT	Rs. Cr.	9.94	7.53
PAT Margin	(%)	7.30	5.47
Total Debt/Tangible Net Worth	Times	1.35	1.95
PBDIT/Interest	Times	2.73	2.32

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>
- 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, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite'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
14 Jun 2022	Cash Credit	Long Term	5.00	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	4.00	ACUITE BBB- Stable (Assigned)
	Proposed Bank Facility	Long Term	1.00	ACUITE BBB- Stable (Assigned)
	Bank Guarantee	Short Term	10.00	ACUITE A3 (Assigned)
	Bank Guarantee	Short Term	24.00	ACUITE A3 (Reaffirmed)
	Bank Guarantee	Short Term	71.00	ACUITE A3 (Reaffirmed)
	Bank Guarantee	Short Term	15.00	ACUITE A3 (Assigned)
	Cash Credit	Long Term	15.00	ACUITE BBB- Stable (Reaffirmed)
01 Jun 2022	Cash Credit	Long Term	15.00	ACUITE BBB- Stable (Reaffirmed)
	Bank Guarantee	Short Term	71.00	ACUITE A3 (Reaffirmed)
	Bank Guarantee	Short Term	24.00	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE BBB- Stable (Reaffirmed)
03 Mar 2021	Cash Credit	Long Term	15.00	ACUITE BBB- Stable (Upgraded from ACUITE BB- Stable)
	Cash Credit	Long Term	5.00	ACUITE BBB- Stable (Upgraded from ACUITE BB- Stable)
	Bank Guarantee	Short Term	24.00	ACUITE A3 (Upgraded from ACUITE A4)
	Bank Guarantee	Short Term	71.00	ACUITE A3 (Upgraded from ACUITE A4)
08 May 2020	Bank Guarantee	Short Term	24.00	ACUITE A4 (Reaffirmed)
	Bank Guarantee	Short Term	15.00	ACUITE A4 (Reaffirmed)
	Bank Guarantee	Short Term	56.00	ACUITE A4 (Reaffirmed)
	Cash Credit	Long Term	1.00	ACUITE BB- Stable (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE BB- Stable (Reaffirmed)
	Cash Credit	Long Term	14.00	ACUITE BB- Stable (Reaffirmed)
08 Apr 2020	Bank Guarantee	Short Term	15.00	ACUITE A4 (Assigned)
	Cash Credit	Long Term	5.00	ACUITE BB- Stable (Assigned)
	Cash Credit	Long Term	14.00	ACUITE BB- Stable (Assigned)
	Bank Guarantee	Short Term	56.00	ACUITE A4 (Assigned)
		Long		

	Cash Credit	Term	1.00	ACUITE BB- Stable (Assigned)
	Bank Guarantee	Short Term	24.00	ACUITE A4 (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Punjab National Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	71.00	ACUITE A3 Reaffirmed
HDFC Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	34.00	ACUITE A3 Reaffirmed
HDFC Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE BBB- Stable Reaffirmed
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	19.00	ACUITE BBB- Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	1.00	ACUITE BBB- Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Short Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	15.00	ACUITE A3 Reaffirmed

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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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