

## Press Release

### Devdashrath Infratech Private Limited

September 03, 2020



#### Rating Assigned

|                                     |                                          |
|-------------------------------------|------------------------------------------|
| <b>Total Bank Facilities Rated*</b> | Rs.17.00crore                            |
| <b>Long Term Rating</b>             | ACUITE BB-/ Outlook:Stable<br>(Assigned) |
| <b>Short Term Rating</b>            | ACUITE A4+<br>(Assigned)                 |

\* Refer Annexure for details

#### Rating Rationale

Acuité has assigned the long-term rating of '**ACUITE BB-**' (read as **ACUITE double B minus**) and the short-term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs.17.00crore bank facilities of Devdashrath Infratech Private Limited (DIPL). The outlook is '**Stable**'.

Rajasthan based, Devdashrath Infratech Private Limited (DIPL) was incorporated in September 2018. The directors of the company are Mr. Tirath Raj Singh and Mr. Raju Singh Bhati. The company is engaged in the collection of royalties at sandstone, granite, gypsum and marble mining sites through tenders, on behalf of the government. The tenders are acquired through bidding for contracts. DIPL is also engaged in trading of grit for construction of roads.

#### Analytical Approach

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

#### Key Rating Drivers

##### Strengths

- **Healthy profitability margins and order book position**

The company was incorporated in 2018 and began its operations in September 2018. The operating margin (EBITDA) stood at 11.36 per cent (Provisional) in FY2020 as against 10.90 per cent in FY2019 and profit margin (PAT) stood at 9.02 per cent (Provisional) in FY2020 as against 7.66 per cent in FY2019. Further, the company has a healthy order book position with current orders in hand of Rs. 71.98 crore as on July 2020.

- **Moderate financial risk profile**

The company's financial risk profile is moderate, marked by modest net worth, moderate gearing and above-average debt protection metrics. The tangible net worth of the company is modest and stood at Rs.3.99 crore (Provisional) as on 31 March 2020 as against Rs.2.43 crore as on 31 March 2019. The gearing increased marginally in FY2020 and stood at 1.78 times (Prov) as compared to 1.69 times in FY2019. The total debt outstanding of Rs.7.10 crore (Provisional) as on 31 March 2020 consists of an unsecured loan of Rs.0.91 crore and working capital borrowings of Rs.6.19 crore. The cash accruals over the next three years from 2021-23 are estimated to remain in the range of Rs.1.72 to Rs.2.24 crore against no significant debt repayment obligations. As a result, the gearing is expected to remain moderate in the near term. The coverage indicators remained healthy marked by interest coverage ratio (ICR) of 2.80 times (Provisional) in FY2020 as against 15.62 times in FY2019. NCA/TD (Net Cash Accruals to Total Debt) ratio stood at 0.22 times (Provisional) in FY2020 and 0.05 times in FY2019.

Acuité expects the financial risk profile of the company to remain moderate over the medium term on account of moderate gearing and above-average debt protection metrics.

##### Weaknesses

- **Tender based nature of business**

The company has dealings with government organizations and bids for the contracts on a tender basis. The company's ability to successfully bid for a greater number of orders will remain crucial to the business. Further, the company was incorporated in 2018 due to which the track record of operations is limited.

#### • Fixed payment obligation

The company has fixed monthly obligation towards government irrespective of the volume of mining. Further, significant buildup in the receivables could lead to increased burden towards payment obligation.

#### Rating Sensitivities

- Scaling up of operation while improving the profitability margin
- Stretch in the working capital cycle leading to an increase in reliance on working capital borrowings

#### Material Covenants

None

#### Liquidity position: Adequate

DIPL has adequate liquidity, marked by adequate net cash accruals to its maturing debt obligations. The company generated cash accruals of Rs.1.55 crore (Prov) for FY2020 with no major debt repayment obligations for the same period. The cash accruals of DIPL are estimated to remain in the range of around Rs.1.91 crore to Rs.2.82 crore during 2021-23 against no major debt repayment obligations in the same period. The company's working capital operations are intensive, marked by 149 Gross Current Asset (GCA) days (Prov) for FY2020. The average bank limit utilization over the past six months ended July 2020 remained at ~71.92 percent. The company maintains unencumbered cash and bank balances of Rs.2.03 crore (Prov) as on 31 March 2020. The current ratio stood at 1.61 times (Prov) as on 31 March 2020.

Acuite believes that the liquidity of the company is likely to remain adequate on account of adequate cash accrual against debt repayments over the medium term.

#### Outlook: Stable

Acuite believes that DIPL will maintain a stable outlook over the medium term backed by its experienced management. The outlook may be revised to "Positive", if the company demonstrates substantial and sustained growth in its revenues and operating margins 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 as a result of the sharp decline in operating margins thereby impacting its business risk profile, particularly its liquidity.

#### About the Rated Entity - Key Financials

|                               | Unit    | FY20 (Provisional) | FY19 (Actual) |
|-------------------------------|---------|--------------------|---------------|
| Operating Income              | Rs. Cr. | 17.22              | 1.49          |
| PAT                           | Rs. Cr. | 1.55               | 0.11          |
| PAT Margin                    | (%)     | 9.02               | 7.66          |
| Total Debt/Tangible Net Worth | Times   | 1.78               | 1.69          |
| PBDIT/Interest                | Times   | 2.80               | 15.62         |

#### 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>
- Entities in Service Sector - <https://www.acuite.in/view-rating-criteria-50.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

#### Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.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                 | Not Applicable   | Not Applicable | Not Applicable | 3.90                        | ACUITE BB-/Stable (Assigned) |
| Cash Credit                 | Not Applicable   | Not Applicable | Not Applicable | 4.10                        | ACUITE BB-/Stable (Assigned) |
| Bank Guarantee              | Not Applicable   | Not Applicable | Not Applicable | 8.95                        | ACUITE A4+ (Assigned)        |
| Proposed Banking Facilities | Not Applicable   | Not Applicable | Not Applicable | 0.05                        | ACUITE BB-/Stable (Assigned) |

**Contacts**

| Analytical                                                                                                                                                                                                                                                                                                | Rating Desk                                                                                                                          |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------|
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**About Acuite Ratings & Research:**

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