

**Press Release**  
**Sri Durga Condev Private Limited**  
May 17, 2021  
**Rating Assigned**



|                                     |                                |
|-------------------------------------|--------------------------------|
| <b>Total Bank Facilities Rated*</b> | Rs. 200.00 Cr.                 |
| <b>Long Term Rating</b>             | ACUITÉ A-/Stable<br>(Assigned) |
| <b>Short Term Rating</b>            | ACUITÉ A2+<br>(Assigned)       |

\* Refer Annexure for details

**Rating Rationale**

Acuité has assigned a long term rating of '**ACUITÉ A-**' (**read as ACUITE A minus**) and Short term rating of '**ACUITÉ A2+**' (**read as ACUITE A two plus**) on the Rs 200.00 Cr. bank facilities of Sri Durga Condev Private Limited (SDCPL). The outlook is '**Stable**'.

The rating reflects SDCPL's healthy business profile well supported by its strong project execution capabilities and diversified order book. The rating also factors in the company's comfortable financial risk profile marked by its conservative capital structure and strong coverage ratios. These rating strengths are partially offset by SDCPL's working capital intensive nature of operations and geographical concentration.

SDCPL was started as a partnership firm in 1987 by Mr. Pramod Chandra Rath and was engaged in civil construction activities for road, bridge, building and railway tracks. The constitution was changed to a closely held company in 2000. Currently, the company is managed by Mr Pramod Chandra Rath and his family members. The company has executed projects primarily in the state of Odisha only.

**Analytical Approach**

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

**Key Rating Drivers**

**Strengths**

**Long operational record and Strong order book**

SDCPL has a long operational track record as the company is executing different kinds of civil projects since 1987. Over the years, company has successfully completed large number of projects related to construction of roads, bridges, buildings, etc. in Odisha. The company has a diversified order book as SDCPL has bagged orders from various PSUs and State government entities such as East Coast Railways, RITES Ltd NTPC Ltd, Mahandi Coalfield Limited, PWD among others. The current order book of Rs. 1009.91 Cr. imparts healthy revenue visibility over the medium term. The unexecuted order book comprises around 52 percent of orders from the Indian Railway and its associate entities towards laying railway track, construction of buildings, followed by around 32 percent from different state government entities and the remaining 16 percent from PSUs. In FY21, the company had witnessed strong order flow as SDCPL had bagged fresh orders of around Rs 369 Cr. from different state government agencies and Indian Railways. SDCPL's scale of operation had witnessed an improvement as reflected from revenue of Rs 312 Cr in FY21 (Provisional) as against Rs 274 Cr in FY20. Acuite believes the scale of operation will continue to improve in medium term backed by its healthy order book size.

**Healthy financial profile**

The financial risk profile of the SDCPL is marked by its healthy net worth, low gearing ratio and strong debt protection metrics. The net worth stood at Rs. 115.28 Cr. as on 31st March'2020 as compared to Rs 101.32 Cr. in the previous year. The gearing of the company stood comfortable 0.48 times as on 31st March 2020 as against 0.70 times as on 31st March, 2019 because of decline in debt level. The total debt of Rs.55.62 Cr in

FY2020 consists of Short term borrowing of Rs 37.96 Cr and long-term debt of Rs. 17.65 Cr. TOL/TNW stood at 0.95 times in FY20 as against 1.14 times in FY19. SDCPL's interest coverage ratio stood at 3.80 times as on 31st March, 2020 as against 4.34 times as on 31st March, 2019. DSCR of the company stood at 3.25 times in FY20 in comparison to 3.53 times in FY20. The reason for marginal deterioration in debt protection ratios is rise in the BG commission. The Net Cash accruals to Total Debt (NCA/TD) stood at 0.40 times in FY2020 as compared to 0.29 times in the previous year. Going forward, Acuité believes the financial risk profile to remain healthy over the medium term backed by steady accruals and no major debt funded capex plans.

### **Large stable profitability margins**

The company has healthy profitability margins both at the operating and net level. The operating margin of the company stood at 12.39 percent in FY'20 as compared to 11.54 percent in FY'19. The profit after tax (PAT) margins of the company stood at 5.09 percent in FY'20 as against 4.46 percent in the preceding year. However the EBITDA margin had declined to 10.5 percent in FY21 (Provisional). The profitability margin depends on the company's selection of projects being bid for. Acuité believes that the company will maintain its profit margins over the medium term as major portion of existing orders are road projects where profit margins are relatively higher as compared to other segments.

### **Weaknesses**

#### **High geographical concentration**

The company since its inception has worked on projects primarily in Odisha. Moreover, the ongoing orders are also entirely from Odisha thereby implying high geographic concentration. The company's ability to successfully bid for projects in other states would be a key to expand their base.

#### **Working capital intensive operations**

The operations of the company are working capital intensive as reflected from its Gross Current Asset (GCA) days. The GCA days stood high at 144 days in FY20 as against 139 days in FY19. In FY20, Inventory days stood at 67 days in FY20 as against 65 days in FY19. However, the debtor days had improved to 28 days in FY20 as against 42 days in FY19 because of increase in frequency of payments for government projects. Acuité believes that the operations of the company will continue to be working capital intensive which is inherent to the infrastructure industry.

#### **Rating Sensitivity**

- Sustenance in turnover growth and profit margins
- Continuous order flow

#### **Material Covenant**

None

#### **Liquidity Profile: Superior**

The company has a superior liquidity profile as working capital utilization during 12 months ended March 2021 stood very low at around 11 percent. Company's net cash accrual stood at Rs 22 Cr in FY20 as against the debt repayment of Rs.3.5 Cr. Going forward, the net cash accruals are expected to be in the range of Rs 24-37 Cr as against loan repayments of around Rs.5 Cr from FY21-FY23. SDCPL also has high-unencumbered cash & bank of Rs 39.14 Cr during FY20. Current ratio stood at 1.54 times in FY20 as against 1.44 times in FY19. However, the company had witnessed moderately high working capital requirement as GCA days stood at 144 days in FY20 as against 139 days in FY19 due to high inventory level. Acuite believes liquidity profile will remain adequate in medium term backed by healthy net cash accrual.

#### **Outlook: Stable**

Acuité believes the outlook on SDCPL will remain 'Stable' over the medium term backed by its long track record of operations, strong order book position and comfortable financial risk profile. The outlook may be revised to 'Positive' if the company is able to ramp up its scale of operation along with sustenance in the profitability margins. Conversely, the outlook may be revised to 'Negative' in case of deterioration in liquidity profile due to increase in working capital requirement.

## About the Rated Entity - Key Financials

|                               | Unit    | FY20 (Actual) | FY19 (Actual) |
|-------------------------------|---------|---------------|---------------|
| Operating Income              | Rs. Cr. | 274.41        | 280.45        |
| PAT                           | Rs. Cr. | 13.96         | 12.51         |
| PAT Margin                    | (%)     | 5.09          | 4.46          |
| Total Debt/Tangible Net Worth | Times   | 0.48          | 0.70          |
| PBDIT/Interest                | Times   | 3.80          | 4.34          |

### Status of non-cooperation with previous CRA (if applicable)

None

### 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)

#### \*Annexure – Details of instruments rated

| Name of the Facilities | Date of Issuance | Coupon Rate    | Maturity Date  | Size of the Issue | Ratings/Outlook             |
|------------------------|------------------|----------------|----------------|-------------------|-----------------------------|
| Cash Credit            | Not Applicable   | Not Applicable | Not Applicable | 50.00             | ACUITE A-/Stable (Assigned) |
| Term Loan              | May 2020         | Not Available  | May 2023       | 4.45              | ACUITE A-/Stable (Assigned) |
| Cash Credit            | Not Applicable   | Not Applicable | Not Applicable | 5.00              | ACUITE A-/Stable (Assigned) |
| Cash Credit            | Not Applicable   | Not Applicable | Not Applicable | 0.50              | ACUITE A-/Stable (Assigned) |
| Proposed Term Loan     | Not Applicable   | Not Applicable | Not Applicable | 18.05             | ACUITE A-/Stable (Assigned) |
| Bank Guarantee         | Not Applicable   | Not Applicable | Not Applicable | 74.50             | ACUITE A2+ (Assigned)       |
| Bank Guarantee         | Not Applicable   | Not Applicable | Not Applicable | 20.00             | ACUITE A2+ (Assigned)       |

|                |                |                |                |       |                       |
|----------------|----------------|----------------|----------------|-------|-----------------------|
| Bank Guarantee | Not Applicable | Not Applicable | Not Applicable | 27.50 | ACUITE A2+ (Assigned) |
|----------------|----------------|----------------|----------------|-------|-----------------------|

## Contacts

| <b>Analytical</b>   | <b>Rating Desk</b>   |
|---|--|
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