

Press Release

Sri Durga Condev Private Limited

August 09, 2022



Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	127.75	-	ACUITE A2+ Reaffirmed
Bank Loan Ratings	72.25	ACUITE A- Stable Reaffirmed	-
Total Outstanding Quantum (Rs. Cr)	200.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed 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 continues to reflect the company's established track record of operations spanning more than three decades in executing roads, irrigation, and railway projects in Odisha. Further the scale of operation witnessed an improvement during FY22 backed by healthy execution of orders. The current order book provides revenue visibility over the medium term. The ratings also factor in company's strong financial risk profile marked by its high net worth, low gearing ratio and healthy debt protection ratios. The ratings are constrained by high geographical concentration and intensive competition in construction business.

About the Company

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

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

Key Rating Drivers

Strengths

Established track record in EPC segment

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. Hence the counterparty risk is low.

Healthy Revenue visibility

The current order book of Rs. 1052 Cr. imparts healthy revenue visibility over the medium term. The unexecuted order book comprises around 40 percent of orders from the Indian Railway and its associate entities towards laying railway track, construction of buildings, followed by around 47 percent from different state government entities and the remaining 13 percent from Central government undertakings or PSUs. Further current order book also reflects moderate segmental concentration as majority of orders are related construction of road and bridges. The company also executes orders related to construction of building, different kinds of structures, canal among others.

The scale of operation had witnessed an improvement during FY22(Provisional) as revenue stood at Rs 323 Cr in FY22(Provisional) as against Rs 278 Cr in FY21 and Rs 274 Cr in FY20. The revenue growth is driven by improvement in order execution. The company posted a revenue of Rs 75 Cr in Q1FY23(Provisional). Acuite believes the scale of operation will continue to grow over medium term backed by healthy order book size with strong execution capabilities.

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. 146.82 Cr. as on 31st March'2022(Provisional) as compared to Rs 129.92 Cr. in the previous year. The gearing of the company stood comfortable at 0.53 times as on 31st March 2022(Provisional) as against 0.54 times as on 31st March, 2021.TOL/TNW stood at 0.79 times in FY22(Provisional) as against 0.97 times in FY21.SDCPL's interest coverage ratio stood at 5.37 times as on 31st March, 2022(Provisional) as against 6.55 times as on 31st March, 2021.DSCR of the company stood at 3.21 times in FY22(Provisional) in comparison to 3.28 times in FY21.The Net Cash accruals to Total Debt (NCA/TD) stood at 0.35 times in FY2022(Provisional) as compared to 0.33 times in the previous year. Going forward, Acuite believes the financial risk profile to remain healthy over the medium term backed by steady accruals and no major debt funded capex plans.

Largely stable profitability margins

The company has healthy profitability margins both at the operating and net level. The operating margin of the company stood at 12.20 percent in FY22(Provisional) as compared to 11.23 percent in FY21. The profit after tax (PAT) margins of the company stood at 5.22 percent in FY'22(Provisional) as against 5.26 percent in the preceding year.The profitability margin depends largely on the company's selection of projects being bid for. Acuite 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

Concentrated order book

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 121 days in FY22(Provisional) as

against 134 days in FY21. Inventory days stood at 58 days in FY22(Provisional) as against 65 days in FY21. However, the debtor days stood at 34 days in FY22(Provisional) as against 26 days in FY21. Acuité believes that the operations of the company will continue to be working capital intensive which is inherent to the infrastructure industry.

Rating Sensitivities

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

Material covenants

None

Liquidity Profile: Strong

The company has a superior liquidity profile as reflected from its high-unencumbered cash & bank of Rs 28 Cr as on 31.03.2022(Provisional). Company's net cash accrual stood at Rs 27 Cr in FY22 as against the debt repayment of Rs.5 Cr. Going forward, the net cash accruals are expected to be in the range of Rs 28-30 Cr as against loan repayments of around Rs.6 Cr from FY23-FY24. Current ratio stood at 1.65 times in FY22 (Provisional) as against 1.43 times in FY21. The utilization of fund-based limits stood at 87 percent during last 9 months ended June 2022. The company had witnessed improvement in working capital requirement as GCA days stood at 121 days in FY22(Provisional) as against 134 days in FY21. 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.

Key Financials

Particulars	Unit	FY 22 (Provisional)	FY 21 (Actual)
Operating Income	Rs. Cr.	323.59	278.25
PAT	Rs. Cr.	16.89	14.64
PAT Margin	(%)	5.22	5.26
Total Debt/Tangible Net Worth	Times	0.53	0.54
PBDIT/Interest	Times	5.37	6.55

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

CRISIL has listed the entity as Issuer not cooperating as per rationale date on August 31, 2021

Any other information

Not Applicable

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

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

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
17 May 2021	Cash Credit	Long Term	0.50	ACUITE A- Stable (Assigned)
	Bank Guarantee	Short Term	20.00	ACUITE A2+ (Assigned)
	Bank Guarantee	Short Term	74.50	ACUITE A2+ (Assigned)
	Proposed Term Loan	Long Term	18.05	ACUITE A- Stable (Assigned)
	Cash Credit	Long Term	50.00	ACUITE A- Stable (Assigned)
	Term Loan	Long Term	4.45	ACUITE A- Stable (Assigned)
	Bank Guarantee	Short Term	27.50	ACUITE A2+ (Assigned)
	Cash Credit	Long Term	5.00	ACUITE A- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Rating
State Bank of India	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	80.25	ACUITE A2+ Reaffirmed
Karnataka Bank Ltd	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	20.00	ACUITE A2+ Reaffirmed
Punjab National Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	27.50	ACUITE A2+ Reaffirmed
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	50.00	ACUITE A- Stable Reaffirmed
Karnataka Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.00	ACUITE A- Stable Reaffirmed
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	0.50	ACUITE A- Stable Reaffirmed
Not Applicable	Not Applicable	Proposed Long Term Loan	Not Applicable	Not Applicable	Not Applicable	11.00	ACUITE A- Stable Reaffirmed
State Bank of India	Not Applicable	Term Loan	30-01-2024	8.35	31-12-2027	5.75	ACUITE A- Stable Reaffirmed

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About Acuité Ratings & Research

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