



Press Release
DWARAKAMAI CONSTRUCTIONS PRIVATE LIMITED
March 13, 2025
Rating Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	18.00	ACUITE BBB- Stable Reaffirmed	-
Bank Loan Ratings	46.00	-	ACUITE A3 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	64.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed its long term rating of ‘**ACUITE BBB-**’ (read as **ACUITE triple B minus**) and short term rating of ‘**ACUITE A3**’ (read as **ACUITE A three**) on the Rs.64.00 Cr. bank facilities of Dwarakamai Constructions Private Limited (DCPL). The outlook remains ‘**Stable**’.

Rationale for reaffirmation of rating:

The rating reaffirmation reflects the extensive experience of the management, a moderate order book position and stable scale of operations. As on February 2025, DCPL has an order book of Rs.494.79 Cr, which is 2.36 times of FY2024 revenue. The delayed execution of few works led to marginal decline in FY2024 revenue, which is expected to decline further in the current year due to extended monsoon delaying the execution of works. Despite this, the operating profits are expected to improve on account of reduced subcontracting costs during FY2024 and the same is expected to be maintained in the current year. The rating also draws comfort from the moderate financial risk profile. However, it is constrained by moderately intensive working capital operations and susceptibility to tender based nature of operations.

Going ahead, addition of new orders and scaling up the operations while maintaining the current profitability will be a key rating monitorable.

About the Company

Established in 1995 and based in Anantapur (Andhra Pradesh), Dwarakamai Constructions Private Limited (DCPL) was initially set up as partnership firm ‘Dwarakamai Constructions’ by Mr. Desai Madan Mohan Reddy and other family members. In March 2011, the firm changed its constitution to private limited company and currently is promoted by Mr. Desai Madan Mohan Reddy, Ms. Desai Sreedevi, Mr. A. Hari Krishna Reddy and other family members. DCPL, a family owned business, undertakes civil construction activities primarily that of Roads, Highways and Buildings. The company is a ‘Special Class’ contractor registered with Government of Andhra Pradesh and Telangana and undertakes works for Public Works Department, Roads & Buildings Department, Irrigation & CAD Departments.

Unsupported Rating

Not applicable

Analytical Approach

Acuité has considered the standalone financial and business risk profile of Dwarakamai Constructions Private Limited (DCPL) to arrive at the rating

Key Rating Drivers

Strengths

Promoters' extensive experience; established track record of operations

DCPL, a special class civil contractor, has established presence in executing projects related to primarily roads & bridges, irrigations, buildings amongst others for both public and private sector. Mr. Desai Madan Mohan Reddy, the managing director of DCPL, has more than 3 decades of experience in the line of civil construction. With the promoters' extensive industry experience and timely execution of its past projects, DCPL has been able to establish long-standing relationship with various government divisions such as Roads & Building divisions (Anantapur), Panchayat Raj (Anantapur), Roads & Building divisions (Chittoor) amongst others. Acuité believes that the promoters' extensive industry experience, established relation with its principal contractors and healthy order book will aid DCPL's business risk profile over the medium term.

Moderate financial risk profile:

DCP's financial risk profile is moderate, marked by moderate net worth, low gearing and above average debt protection metrics. The company's net worth stood at Rs.48.24 Cr. as on March 31, 2024 against Rs.40.37 Cr. as on March 31, 2023. The improvement in net worth is due to accretion of profits to reserves during the period. The overall debt level of the company increased to Rs.40.51 Cr. as on March 31, 2024 from Rs.16.33 Cr. as on March 31, 2023. Consequently, the gearing and total outside liabilities to tangible net worth (TOL/TNW) levels deteriorated to 0.84 times and 2.02 times as of March 31, 2024 respectively compared to 0.40 times and 1.40 times as on March 31, 2023 respectively. The debt protection metrics stood above average with DSCR and ICR of 3.72 times and 5.50 times respectively as on March 31, 2024. Debt to EBITDA also deteriorated to 2.91 times as on March 31, 2024 from 1.42 times as on March 31, 2023. Acuite believes that the financial risk profile of the company will improve over the medium term supported by improving EBITDA levels.

Weaknesses

Revenue decline amid profit growth:

DCPL registered revenue of Rs.209.19 Cr. in FY2024 against revenue of Rs.218.13 Cr. registered in FY2023. The decline in revenue is majorly due to delay in execution of few orders during the year. However, the operating profit margin has improved to 6.27 percent in FY2024 from 5.04 percent in FY2023, as the company has migrated to execution of works on its own instead of subcontracting. Despite the increase in interest costs during the year, the PAT margin improved marginally to 3.75 percent from 3.24 percent in FY2023. During the current year the company registered revenue of Rs.153Cr till February 28, 2025 and expected to close the year with the revenue of Rs.190-200 Cr. Further the operating profit margin is expected to improve marginally due to reduced dependency on subcontracting works. Acuite believes that, the revenue moderation is likely to continue over the medium term in absence of new works orders.

Moderately intensive nature of working capital operations:

The working capital operations of the company are moderately intensive as reflected by the gross current asset (GCA) days of 186 days in FY2024 against 131 days in FY2023. The elongation in GCA days is due to high work in progress, resulting in inventory days of 56 days in FY2024 compared to 70 days in FY2023. The GCA days also includes other current assets portion in the form of earnest money deposits (EMD) deposits, retention money receivables and advances to suppliers, which further take it to elongated levels. The company receives bills within 20-25 days, resulting in lower debtor days of 15 days as on March 31, 2024. The creditor days stood at 59 days in FY2024 against 42 days in FY2023. The moderate intensive working capital operations have led to moderate dependency on the fund based working capital limits, which were utilized at an average of 70 percent over the past 12 months ending January 2025.

Acuite believes that the working capital operations of the company will remain moderately intensive on account of the nature of the business.

Susceptibility to tender-based operations:

Revenue and profitability depend entirely on the ability to win tenders. Entities in this segment face intense competition, thus requiring them to bid aggressively to procure contracts; this restricts the operating margin to a moderate level. Also, given the cyclicity inherent in the construction industry, the ability to maintain profitability margin through operating efficiency becomes critical. Acuité believes that the company's business profile and financial profile can be adversely impacted on account of presence of stiff competition, and has inherent risk of susceptibility to tender based operations.

Rating Sensitivities

- Receipt of new orders and timely execution of existing orders, leading to substantial improvement in scale of operations while maintaining profitability margins.
- Any further elongation in working capital cycle, deteriorating the liquidity profile of the company.

Liquidity position: Adequate

DCPL's liquidity position is adequate as reflected through sufficient net cash accruals against the maturing debt obligations. The company registered NCA's of Rs.8.75 Cr. as on March 31, 2024 against the repayment obligation of Rs.0.50 Cr. during the same period. Further, the company is expected to generate sufficient accruals against the repayment obligations. The company's current ratio stood moderate at 1.70 times as on March 31, 2024 and the GCA days stood at 186 days in FY2024. The fund based bank limits were utilized at an average of 70 percent during the past 12 months ending January, 2025. Acuite believes that the liquidity position of the company will remain adequate over the medium term on account of sufficient cash accruals against repayment obligations and buffer available from the moderately utilized working capital limits.

Outlook: Stable**Other Factors affecting Rating**

None

Key Financials

Particulars	Unit	FY 24 (Actual)	FY 23 (Actual)
Operating Income	Rs. Cr.	209.19	218.13
PAT	Rs. Cr.	7.85	7.07
PAT Margin	(%)	3.75	3.24
Total Debt/Tangible Net Worth	Times	0.84	0.40
PBDIT/Interest	Times	5.50	9.18

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

Not applicable

Interaction with Audit Committee anytime in the last 12 months (applicable for rated-listed / proposed to be listed debt securities being reviewed by Acuite)

Not applicable

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, Acuité 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 Dec 2023	Bank Guarantee (BLR)	Short Term	39.00	ACUITE A3 (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	7.00	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	13.00	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE BBB- Stable (Reaffirmed)
23 Sep 2022	Bank Guarantee (BLR)	Short Term	30.00	ACUITE A3 (Reaffirmed)
	Bank Guarantee (BLR)	Short Term	7.00	ACUITE A3 (Reaffirmed)
	Proposed Bank Guarantee	Short Term	8.00	ACUITE A3 (Reaffirmed)
	Secured Overdraft	Long Term	8.00	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	5.00	ACUITE BBB- Stable (Reaffirmed)
	Proposed Secured Overdraft	Long Term	6.00	ACUITE BBB- Stable (Reaffirmed)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Kotak Mahindra Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	39.00	Simple	ACUITE A3 Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	7.00	Simple	ACUITE A3 Reaffirmed
Kotak Mahindra Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	13.00	Simple	ACUITE BBB- Stable Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	5.00	Simple	ACUITE BBB- Stable Reaffirmed

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About Acuité Ratings & Research

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