

Press Release

Deepika Infratech Private Limited

October 04, 2021

Rating Assigned



| | |
|-------------------------------------|-------------------------|
| Total Bank Facilities Rated* | Rs. 88.00 Cr. |
| Long Term Rating | ACUITE C (Assigned) |
| Short Term Rating | ACUITE A4 (Assigned) |
| Short Term Rating | ACUITE D (Assigned) |

* Refer Annexure for details

Rating Rationale

Acuite has assigned its long-term rating of '**ACUITE C**' (read as **ACUITE C**) and the short-term rating of '**ACUITE A4**' (read as **ACUITE A four**), '**ACUITE D**' (read as **ACUITE D**) on the Rs.88.00 Cr bank facilities of Deepika Infratech Private Limited (DIPL). The outlook is '**Stable**'.

Hyderabad based, Deepika Infratech Private Limited (DIPL) was incorporated in 2004 by Mr. Solipuram Upender Reddy and Mrs. Kandala Vijaya. VIPL is engaged in civil construction business majorly for irrigation works. It is registered as a Class I Contractor in the State of Telangana, Andhra Pradesh and Maharashtra.

Analytical Approach

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

Key Rating Drivers

Strengths

• Promoters extensive experience in civil construction industry

Mr. S Upender Reddy (Managing Director), and Mrs. Kandala Vijaya, are the directors of the company and actively involved in the day to day operations. The directors are having an experience of over two decades in the civil construction industry. With promoter's extensive industry experience supported by experienced management and timely execution of projects helped the company to establish long-standing relationship with various government bodies in Andhra Pradesh, Telangana and Maharashtra Governments as well as other corporate clients. Acuite believes that promoter's established presence in the industry will support DIPL's business profile over the medium term.

Weaknesses

• Below average financial risk profile

DIPL's financial risk profile is below average marked by moderate net worth, moderate gearing (debt-to-equity), and total outside liabilities to total net worth (TOLTNW) and weak debt protection metrics. DIPL's net worth is moderate at Rs.94.84 Cr as on March 31, 2020 as compared to Rs.94.55 as on March 31, 2019. Gearing is moderate at 0.78 times as on March 31, 2020 as against 0.72 times as on March 31, 2020. TOL/TNW is high at 1.22 times as on March 31, 2020 vis-à-vis 1.31 times as on March 31, 2019. Its debt protection metrics are weak marked by interest coverage ratio (ICR) and net cash accruals to total debt (NCA/TD) at 1.23 times and 0.03 times in FY2020 vis-à-vis 1.19 times and 0.03 times in FY2019, respectively. DIPL generated cash accruals of Rs.2.00 to 2.60 Cr during the last 3 years through 2018-20, while its maturing debt obligations were in the range of Rs.18-27 Cr during the same period. Acuite believes that DIPL financial profile is expected to be below average over the medium term on account of low cash accruals.

•High intensive working capital operations

DIPL's working capital cycle is marked by moderate gross current assets (GCA) days in the range of 492-598 days over the last 3 years ending March 31, 2020. The GCA days are marked by elevated debtor days and high inventory days. The inventory days (254-331) and debtor days (153-197) respectively, over the past 3 years ended with March 31, 2020. These are partially offset by moderate creditor days at 339-885 days over the past 3 years ended with March 31, 2020. The very high GCA cycle has led to high utilization of 100 percent of bank lines of Rs.10.00 Cr over the past 6 months ending Feb, 2021. Acuite believes that the operations of the DIPL will remain high working capital intensive.

Delays in debt servicing

There has been irregularity in payment of BG Commission due to weak financial risk profile and liquidity.

Liquidity Position: Poor

The DIPL's liquidity position is poor as evidenced by delays in loan servicing and continued overdrawn CC account due to weak cash accruals and highly working capital intensive nature of operations due to a sluggish receivables cycle and high work in progress inventory. DIPL generated cash accruals of Rs.2.00 to 2.60 Cr during the last 3 years through 2018-20 (Provisional), while its maturing debt obligations were in the range of Rs.18-27 Cr during the same period. Liquidity is likely to remain under pressure over the medium term, mainly due to large working capital requirement and inadequate cash accruals to repay large working capital requirements.

Rating Sensitivities

- Improvement in liquidity and working capital cycle
- Increase in revenue and profitability leading to adequate cash accrual

Material covenants

None

Outlook: Not Applicable

About the Rated Entity - Key Financials

| | Unit | FY20 (Actual) | FY19 (Actual) |
|-------------------------------|----------|---------------|---------------|
| Operating Income | Rs. Cr. | 82.80 | 105.19 |
| PAT | Rs. Cr. | 0.29 | 0.23 |
| PAT Margin | (%) | 0.35 | 0.22 |
| Total Debt/Tangible Net Worth | Time0073 | 0.78 | 0.72 |
| PBDIT/Interest | Times | 1.23 | 1.19 |

FY21 financials are not available

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 Infrastructure Sector - <https://www.acuite.in/view-rating-criteria-51.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**

| Lender Name | Name of the Facilities | Date of Issuance | Coupon Rate | Maturity Date | Size of the Issue (Rs. Cr.) | Ratings/Outlook |
|-----------------------|------------------------|------------------|----------------|----------------|-----------------------------|----------------------|
| Central Bank of India | Cash Credit | Not Applicable | Not Applicable | Not Applicable | 10.00 | ACUITE C/ (Assigned) |
| IDBI Bank | Cash Credit | Not Applicable | Not Applicable | Not Applicable | 10.00 | ACUITE C/ (Assigned) |
| Central Bank of India | Bank Guarantee | Not Applicable | Not Applicable | Not Applicable | 28.10 | ACUITE A4 (Assigned) |
| Bank of Maharashtra | Bank Guarantee | Not Applicable | Not Applicable | Not Applicable | 12.30 | ACUITE A4 (Assigned) |
| Bank of Baroda | Bank Guarantee | Not Applicable | Not Applicable | Not Applicable | 12.09 | ACUITE A4 (Assigned) |
| Axis Bank | Bank Guarantee | Not Applicable | Not Applicable | Not Applicable | 15.51 | ACUITE D (Assigned) |

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About Acuité Ratings & Research:

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