

## Press Release

### Orient Constructions Private Limited

December 24, 2021



### Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
<b>Bank Ratings</b> <b>Loan</b>	36.00		ACUITE A3   Assigned
<b>Bank Ratings</b> <b>Loan</b>	8.92	ACUITE BBB-   Stable   Assigned	
<b>Total</b>	44.92	-	-

### Rating Rationale

Acuite has assigned the long term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and short term rating of '**ACUITE A3**' (read as **ACUITE A three**) to the Rs. 44.92 Cr bank facilities of Orient Constructions Private Limited. The outlook is '**Stable**'.

The rating of OCPL takes into account the stable business risk profile of the company as reflected from its steadily increasing revenue backed by strong order book position. The rating also factors in its healthy financial position characterized by conservative leverage and robust debt coverage. These strengths are partially offset by elongated working capital cycle and the intense competition in the construction industry.

### About the Company

Incorporated in 1993, Odisha based Orient Constructions Private Limited (OCPL) is engaged in construction of roads and bridges mainly for the state government of Orissa. Currently, the company is headed by Mr. Ashok Jalan, Mr. Saurav Singh, Mr. Yogesh Jalan, Mr. Manish Chaudhary and Mr. Haresh Chandra Mishra. The promoters had started their construction activities in the form of a partnership firm under the name of Orient Constructions in 1981 and the constitution was changed in 1993 under its current name.

### Analytical Approach

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

### Key Rating Drivers

#### Strengths

##### • Long operational track record and experienced management

Established in 1993, Orient Constructions Private Limited (OCPL) has a long operational track record of around four decades in the civil construction industry, through their erstwhile partnership concern, Orient Constructions. Moreover, the key promoter of OCPL, Mr. Ashok Kumar Jalan has more than four decades of experience in the construction industry. Acuite believes that the long standing experience of the promoter and the long track record of operations will benefit the company going forward resulting in steady growth in the scale of operations.

- **Healthy growth in revenue and strong order book position**

Orient Constructions Private Limited has achieved revenues of Rs.82.24 Cr in FY2021 as compared to revenue of Rs.82.00 Cr in FY2020 and Rs. 54.77 Cr in FY2019, thereby registering a 2 year CAGR of 22.53 per cent. The growth in top line is on account of better order flow and execution apart from boost in infrastructure sector. The company has achieved revenues of around Rs.50.88 Cr till 30<sup>th</sup> November 2021 (provisional). In addition to this, the company has a healthy order book position to the tune of Rs.120 Cr as on 30<sup>th</sup> November, 2021. Acuité believes that the healthy order book position of the company provides comfortable revenue visibility over the medium term.

- **Above average financial risk profile**

The company's above average financial risk profile is marked by moderate networth, comfortable gearing and healthy debt protection metrics. The tangible net worth of the company increased to Rs.35.29 Cr as on March 31, 2021 from Rs.33.03 Cr as on March 31, 2020. Gearing of the company stood comfortable at 0.51 times as on March 31, 2021 as against 0.60 times as on March 31, 2020. The debt of Rs.17.93 Cr consists of working capital from the bank of Rs.6.93 Cr, term loan of Rs.4.06 Cr, unsecured loan of Rs.1.91 Cr and current maturity of term loan of Rs.5.04 Cr as on March 31, 2021. The Total outside Liabilities/Tangible Net Worth (TOL/TNW) stood comfortable at 0.81 times as on March 31, 2021 as against 0.88 times as on March 31, 2020. The healthy debt protection metrics of the company is marked by Interest Coverage Ratio at 3.38 times as on March 31, 2021 and Debt Service Coverage Ratio (DSCR) at 3.70 times as on March 31, 2020. Net Cash Accruals/Total Debt (NCA/TD) stood healthy at 0.25 times as on March 31, 2021. Acuité believes that going forward the financial risk profile of the company will remain above average over the medium term, in the absence of any major debt funded capex plans.

### **Weaknesses**

- **Working capital intensive nature of operation**

The working capital intensive nature of operation of the company is marked by high Gross Current Assets (GCA) of 141 days on 31<sup>st</sup> March 2021 as compared to 132 days on 31<sup>st</sup> March 2020. The inventory holding is also moderate at 82 days on 31<sup>st</sup> March 2021 as compared to 53 days as on 31<sup>st</sup> March, 2020. Further, the debtor period stood moderate at 59 days on 31<sup>st</sup> March 2021 as compared to 72 days on 31<sup>st</sup> March 2020. The high GCA days are on account of high current assets due to retention money & security deposits. Acuité believes that the working capital operations of the firm will remain at the same levels as evident from efficient collection mechanism and moderate inventory levels over the medium term.

- **Competitive industry**

The civil construction sector is marked by the presence of several mid to big size players. The company faces intense competition from the other players in the sectors. However, this risk is mitigated to an extent on account of the experience of the management and well established presence in its terrain.

### **Rating Sensitivities**

- Sustainability in their growth in scale of operations while maintaining profitability margin
- Reduction in order flow

### **Material covenants**

None

### **Liquidity Position: Adequate**

The company's liquidity position is adequate marked by steady net cash accruals of Rs.4.41

Cr as on March 31, 2021 as against long term debt repayment of Rs.3.42 Cr over the same period. The current ratio stood comfortable at 1.87 times as on March 31, 2021 as compared to 1.79 times as on March 31, 2020. The fund based limit remains utilised at 65 per cent over the twelve months ended October, 2021. The company has availed loan moratorium and also availed additional covid loan of Rs.2 Cr. The cash and bank balances of the company stood at Rs.0.26 Cr as on March 31, 2021 as compared to Rs.1.75 Cr as on March 31, 2020. The unencumbered cash and bank balances of the company stood at Rs.2.99 Cr as on March 31, 2021. However, the working capital intensive nature of operation of the company is marked by high Gross Current Assets (GCA) of 141 days on 31st March 2021 as compared to 132 days on 31st March 2020. Acuité believes that going forward the company will maintain adequate liquidity position due to steady accruals.

### Outlook: Stable

Acuité believes that the outlook on OCPL will remain 'Stable' over the medium term on account of the long track record of operations, experienced management and above average financial risk profile. The outlook may be revised to 'Positive' in case of significant growth in revenue or operating margins from the current levels. Conversely, the outlook may be revised to 'Negative' in case of decline in revenue or operating margins, deterioration in financial risk profile or further elongation in its working capital cycle.

### Other Factors affecting Rating

Not Applicable

### Key Financials

Particulars	Unit	FY 21 (Actual)	FY 20 (Actual)
Operating Income	Rs. Cr.	82.24	82.00
PAT	Rs. Cr.	2.26	3.19
PAT Margin	(%)	2.75	3.89
Total Debt/Tangible Net Worth	Times	0.51	0.60
PBDIT/Interest	Times	3.38	3.70

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

Not Applicable

### 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>

## 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	27.00	ACUITE A3   Assigned
Axis Bank	Not Applicable	Bank Guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	9.00	ACUITE A3   Assigned
State Bank of India	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	6.00	ACUITE BBB-   Stable   Assigned
Axis Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE BBB-   Stable   Assigned
State Bank of India	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	1.92	ACUITE BBB-   Stable   Assigned

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### About Acuité Ratings & Research

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