

## Press Release

### Orient Constructions Private Limited

February 13, 2023



### Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	7.00	ACUITE BBB-   Stable   Assigned	-
Bank Loan Ratings	8.92	ACUITE BBB-   Stable   Reaffirmed	-
Bank Loan Ratings	13.00	-	ACUITE A3   Assigned
Bank Loan Ratings	36.00	-	ACUITE A3   Reaffirmed
<b>Total Outstanding Quantum (Rs. Cr)</b>	<b>64.92</b>	<b>-</b>	<b>-</b>

### Rating Rationale

Acuite has **reaffirmed** 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, and also **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. 20 Cr bank facilities of Orient Constructions Private Limited (OCPL). The outlook is '**Stable**'.

#### Rationale for the rating

The rating takes into account the steady business risk profile of OCPL buoyed by healthy order book position. The rating also factors the experience of the management in the civil construction industry and above average financial risk profile characterized by comfortable gearing. However, these strengths are partially offset by exposure to risk related to intense competition, industrial cyclicalities, and working capital intensive nature of operations.

#### 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. Acuité 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.

- **Above average financial risk profile**

The company's financial risk profile is marked by modest network, comfortable gearing and average debt protection metrics. The tangible net worth of the company stood at Rs.36.58 Cr as on 31st March, 2022 as compared to Rs.35.29 Cr as on 31st March, 2021. Gearing of the company stood comfortable at 0.34 times as on March 31, 2022 as against 0.51 times as on March 31, 2021. The Total Outside Liability/Tangible Net Worth (TOL/TNW) stood at 0.60 times as on March 31, 2022 as compared to 0.81 times in the previous year. The Interest Coverage Ratio stood at 3.22 times as on March 31, 2022. However, Debt Service Coverage Ratio at 0.77 times as on March 31, 2022. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.28 times as on March 31, 2022 as against 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.

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

Orient Constructions Private Limited has achieved revenues of Rs.92.94 Cr in FY2022 as compared to revenue of Rs.82.24 Cr in FY2021 and Rs. 82.00 Cr in FY2020, thereby registering a 2 year CAGR of 6.5 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.46.67 Cr till 31 st December 2022 (provisional). The unexecuted order book of around Rs.175 Cr is expected to be executed in the 12-18 months thus providing comfortable revenue visibility over the medium term. Acuité believes that the healthy order book position of the company provides comfortable revenue visibility over the medium term.

## Weaknesses

- **Working capital intensive nature of operations**

The working capital intensive nature of operations is marked by moderate GCA days of 126 days as on March 31, 2022 as compared to 141 days as on March 31, 2021. The high GCA days are high primarily on account of a high other current assets due to retention money & security deposits. However, the inventory period remained moderate at 58 days as on March 31, 2022 as compared to 82 days in previous year. Further, the debtor holding period stood comfortable at 44 days as on March 31, 2022 as compared to 59 days as on March 31, 2021. 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 and fragmented nature of industry coupled with tender based business**

The firm is engaged as a civil contractor and the 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. Risk becomes more pronounced as tendering is based on a minimum amount of bidding of contracts and hence the company must make bid for such tenders on competitive prices, which may affect the profitability of the company. However, this risk is mitigated to an extent as the company is operating in this environment for around a decade.

## ESG Factors Relevant for Rating

Not Applicable

## 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 the current ratio stood comfortable at 1.88 times as on March 31, 2022 as compared to 1.73 times as on March 31, 2021. Whereas, steady net cash accruals of Rs.3.47 Cr in FY2022 as against a long term debt repayment of Rs. 5.04 Cr over the same period. The excess payment was done on account of realisation of asset. The cash and bank balances stood at Rs 2.53 Cr as on March 31, 2022. Additionally, the fund based limit utilized at 78.10 per cent and the non-fund based limit utilized at 70.5 per cent for the six-months ended December 2022. However, the working capital intensive nature of operations is marked by high GCA days of 126 days as on March 31, 2022 as compared to 141 days as on March 31, 2021. Acuite believes that going forward the liquidity position of the company will improve due to gradually improving cash accruals.

## Outlook: Stable

Acuite 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 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	92.94	82.24
PAT	Rs. Cr.	1.29	2.26
PAT Margin	(%)	1.39	2.75
Total Debt/Tangible Net Worth	Times	0.34	0.51
PBDIT/Interest	Times	3.22	3.38

## 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>
- Rating Process and Timeline: <https://www.acuite.in/view-rating-criteria-67.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](http://www.acuite.in)

### Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
24 Dec 2021	Cash Credit	Long Term	1.00	ACUITE BBB-   Stable (Assigned)
	Bank Guarantee	Short Term	27.00	ACUITE A3 (Assigned)
	Cash Credit	Long Term	6.00	ACUITE BBB-   Stable (Assigned)
	Working Capital Demand Loan	Long Term	1.92	ACUITE BBB-   Stable (Assigned)
	Bank Guarantee	Short Term	9.00	ACUITE A3 (Assigned)

## Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Axis Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	9.00	ACUITE A3   Reaffirmed
Punjab National Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	27.00	ACUITE A3   Reaffirmed
Punjab National Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	4.00	ACUITE A3   Assigned
Yes Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	9.00	ACUITE A3   Assigned
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	6.00	ACUITE BBB-   Stable   Reaffirmed
Axis Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	1.00	ACUITE BBB-   Stable   Reaffirmed
Punjab National Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	6.00	ACUITE BBB-   Stable   Assigned
Yes Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	1.00	ACUITE BBB-   Stable   Assigned
Punjab National Bank	Not Applicable	Working Capital Demand Loan (WC DL)	Not available	Not available	Not available	Simple	1.92	ACUITE BBB-   Stable   Reaffirmed

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### About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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