

Press Release

Damodharte International Private Limited

February 15, 2023



Rating Assigned

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	14.00	ACUITE BB+ Stable Assigned	-
Bank Loan Ratings	36.00	-	ACUITE A4+ Assigned
Total Outstanding Quantum (Rs. Cr)	50.00	-	-

Rating Rationale

Acuite has assigned the long term rating of '**ACUITE BB+**' (read as **ACUITE Double B Plus**) and short term rating of '**ACUITE A4+**' (read as **ACUITE A four plus**) on the Rs. 50.00 crore bank facilities of DAMODHARTECH INTERNATIONAL PRIVATE LIMITED (DIPL). The outlook is '**Stable**'.

Rationale for Rating Assigned

The rating on DIPL takes into account the growth expected in the operating income and stability in operating margins over the medium term. The rating is supported by the experienced management, long track record of operations and above average financial risk profile.

About the Company

Established in 1978, CBD Belapur Mumbai based DIPL is managed by Mr Ashwani Bhat and undertakes EPC contracts for erection and commission of switch yards, switching stations, sub stations, transformers up to 220 KV (extra high voltage).

Analytical Approach

For arriving at its rating, Acuite has considered the standalone business and financial risk profile of DIPL.

Key Rating Drivers

Strengths

Experienced Management

DIPL is managed by Mr. Ashwani Bhat, who has around two decades of experience in the Engineering procurement and construction management. This has helped the company to establish a strong market position and maintain long-standing relations with its customers. Acuite believes that the company will continue to derive benefit from its experienced management and established market position over the medium term

Financial Risk Profile

DIPL has above average financial risk profile marked by Moderate net worth and good debt protection metrics. DIPL's net worth stood at Rs. 23.43 Cr as on 31st March 2022 as against Rs.19.82 Cr as on 31st March 2021 (Audited). Company has above average financial position, Gearing levels (debt-to-equity) improved and stood at 0.18 times as on March 31, 2022 as against 0.27 in FY 2021. Improvement in Gearing Ratio in FY 22 is on account of profit accretions.

Further, the interest coverage ratio stood strong at 9.31 times for FY2022 as against 8.02 times in FY2021. Debt Service coverage ratio stood strong at 5.84 times for FY2022 as against 4.16 times in FY2021. Total outside liabilities to total net worth (TOL/TNW) stood at 0.86 times as on FY2022 vis-à-vis 1.29 times as on FY2021. However, Debt-EBITA stood at 0.63 times as on 31st March 2022 as against 1.27 times as on 31st March 2021.

Weaknesses

Working capital operations

Company has improved yet Intensive working capital requirements as evident from gross current assets (GCA) of 178 days in FY2022 as compared to 387 days in FY2021. Debtor days improved to 57 days in FY2022 as against 188 days in FY2021. Inventory days moderated to 24 days in FY2022 as against 8 days in FY2021. The working capital limits are utilized at ~61 percent during the last Six months ended September 22. Further, the current ratio of DIPL stood at 2.02 times as on March 31, 2022.

Rating Sensitivities

- Significant improvement in operating performance and profitability of the company
- Any deterioration in its liquidity leading to deterioration in debt protection metrics.
- Improvement in working capital cycle.

Material covenants

None

Liquidity Position

Adequate

DIPL has adequate liquidity marked by adequate net cash accruals to its maturing debt obligations. Company generated cash accruals of Rs. 4.30 crore for FY2022 as against obligations of Rs. 0.15 crores for the same period. Current Ratio stood at 2.02 times as on 31 March 2022 as against 1.61 times in the previous year. Bank Limit utilization in last six months was ~61% providing additional cushion to company to meet contingencies. Therefore, company has adequate liquidity to meets its requirements.

Outlook: Stable

Acuité believes that DIPL will maintain a 'Stable' outlook over the medium term on account of its Directors' extensive experience and healthy relationship with existing clients. The outlook may be revised to 'Positive' if the company is able to sustain growth in revenues while maintaining its profitability and improving its working capital cycle. Conversely, the outlook may be revised to 'Negative' in case of any stretch in its working capital management leading to deterioration of its financial risk profile and liquidity profile.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	69.20	32.88
PAT	Rs. Cr.	3.61	2.34
PAT Margin	(%)	5.22	7.13
Total Debt/Tangible Net Worth	Times	0.18	0.27
PBDIT/Interest	Times	9.31	8.02

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

CRISIL vide its press release dated 29 August 2022, has mentioned the rating of DIPL to 'CRISIL BB-/Stable/A4+' Issuer Not Cooperating as on 29 August 2022.

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, Acuite 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 :

Not Applicable

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
The Jammu and Kashmir Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	11.00	ACUITE A4+ Assigned
Indian Bank	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	12.00	ACUITE A4+ Assigned
ICICI Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	2.00	ACUITE A4+ Assigned
The Jammu and Kashmir Bank	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	1.47	ACUITE BB+ Stable Assigned

ICICI Bank Ltd	Not Applicable	Cash Credit	Not Applicable	Not Applicable	Not Applicable	Simple	2.00	ACUITE BB+ Stable Assigned
The Jammu and Kashmir Bank	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	5.00	ACUITE A4+ Assigned
ICICI Bank Ltd	Not Applicable	Letter of Credit	Not Applicable	Not Applicable	Not Applicable	Simple	6.00	ACUITE A4+ Assigned
Not Applicable	Not Applicable	Proposed Long Term Bank Facility	Not Applicable	Not Applicable	Not Applicable	Simple	8.53	ACUITE BB+ Stable Assigned
Indian Bank	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	2.00	ACUITE BB+ Stable Assigned

Contacts

Analytical	Rating Desk
Aditya Gupta Vice President-Rating Operations Tel: 022-49294041 aditya.gupta@acuite.in Himanshu . Senior Analyst-Rating Operations Tel: 022-49294065 himanshu.mehta@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research

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