



Press Release
ORIENT CONSTRUCTIONS PRIVATE LIMITED
February 13, 2024

Rating Assigned, Reaffirmed and Withdrawn

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	1.67	ACUITE BBB- Reaffirmed & Withdrawn	-
Bank Loan Ratings	5.00	ACUITE BBB- Stable Assigned	-
Bank Loan Ratings	14.25	ACUITE BBB- Stable Reaffirmed	-
Bank Loan Ratings	7.00	-	ACUITE A3 Assigned
Bank Loan Ratings	49.00	-	ACUITE A3 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	75.25	-	-
Total Withdrawn Quantum (Rs. Cr)	1.67	-	-

Erratum: In original PR dated 01/02/2024, the word reaffirmed was inadvertently missed in the previous PR, which is now been added in the rating rationale in the 3rd paragraph in this version.

Rating Rationale

Acuite has reaffirmed the long term rating to '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and short term rating to '**ACUITE A3**' (read as **ACUITE A three**) to the Rs. 63.25 Cr. bank facilities of Orient Constructions Private Limited (OCPL). The outlook is '**Stable**'.

Acuite has 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. 12.00 Cr. bank facilities of Orient Constructions Private Limited (OCPL). The outlook is '**Stable**'.

Further, Acuite has reaffirmed and withdrawn the long term rating of '**ACUITE BBB-**' (read as **ACUITE Triple B Minus**) to the Rs.1.67 Cr. bank facilities of Orient Constructions Private Limited (OCPL). The rating has been withdrawn as applicable for the respected instrument/facility as per Acuite's policy of withdrawal of ratings after receiving the client's withdrawal request.

Rationale for the rating

The rating reaffirmation takes into consideration OCPL's established track record of operations, along with the extensive experience of its management in the civil construction industry. The rating also reflects OCPL's strong order book position which stood at Rs.168.31 Cr as of November 2023, providing revenue visibility over the medium term. The operating income grew to Rs.97.67 Cr in FY2023 from Rs.92.48 Cr in FY2022. Further, the rating considers OCPL's moderate financial risk profile marked by moderate net worth, low gearing levels of

0.44 as of 31st March 2023 and average debt protection metrics. The rating, however, is constrained on account of its exposure to intense competition, industrial cyclicality, 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.

Unsupported Rating

None

Analytical Approach

Acuité 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.

Moderate financial risk profile

The company's financial risk profile is moderate marked by moderate net worth, low gearing levels and average debt protection metrics. The tangible net worth of the company stood at Rs.38.26 Cr as on 31st March, 2023 as compared to Rs.36.58 Cr as on 31st March, 2022. Gearing of the company stood low at 0.44 times as on March 31, 2023 as against 0.34 times as on March 31, 2022. The Total Outside Liability/Tangible Net Worth (TOL/TNW) stood at 0.67 times as on March 31, 2023 as compared to 0.62 times in the previous year. The Interest Coverage Ratio stood at 3.40 times as on March 31, 2023 as against 3.22 times as on March 31, 2022. However, Debt Service Coverage Ratio at 1.08 times as on March 31, 2023 as against 0.77 times as on March 31, 2022. Net Cash Accruals/Total Debt (NCA/TD) stood at 0.24 times as on March 31, 2023 as against 0.28 times as on March 31, 2022.

Acuité believes that going forward the company will maintain moderate financial risk profile over the medium term, in the absence of any major debt funded capex plans.

Steady growth in revenue and strong order book position

Orient Constructions Private Limited has achieved revenues of Rs.97.67 Cr in FY2023 as compared to revenue of Rs.92.48 Cr in FY2022. 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.101 Cr in 9MFY2024.. The unexecuted order book of around Rs.168.31 Cr as of November 2023 is expected to be executed in the coming 12-18 months thus providing comfortable revenue visibility over the medium term. Also, the company has LI projects worth Rs. 53.78 Cr in hand as of November 2023.

Acuité believes that the company will maintain steady growth in operating revenues backed by healthy order book position providing revenue visibility over the medium term.

Weaknesses

Working capital intensive nature of operations

The working capital intensive nature of operations is marked by GCA days of 158 days as on March 31, 2023 as compared to 146 days as on March 31, 2022. The high GCA days are high primarily on account of a high other current assets due to retention money & security deposits and also high inventory days. The inventory period stood at 79 days as on March 31, 2023 as

compared to 58 days in previous year. Generally, the inventory holding period is around 60 days. Further, the debtor holding period stood comfortable at 44 days as on March 31, 2023 and 2022 as compared to 59 days as on March 31, 2021. The average credit period allowed to customers is around 30-45 days. The creditor days stood at 85 days in FY2023 as against 87 days in FY2022. The average credit period is 30-45 days.

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.

Rating Sensitivities

- Sustainability in their growth in scale of operations while maintaining profitability margin
- Deterioration in working capital cycle and any unplanned significant capex leading to deterioration of financial risk profile and liquidity.

Liquidity Position Adequate

The company has adequate liquidity position, supported by comfortable current ratio which stood at 1.82 times as on March 31, 2023 as against 1.85 times as on March 31, 2022. The company generated net cash accruals in the range of Rs.3.47-3.92 Crore against the maturity debt obligations of Rs.2.08-3.51 crore from FY2022 & FY2023. The cash and bank balances stood at Rs 4.76 Cr as on March 31, 2023. In addition, it is expected to generate sufficient cash accrual in the range of Rs.4.76-6.03 crores against the maturity debt obligations ranging from Rs.0.75-2.88 crore over the medium term. The working capital intensive nature of operations is marked by high GCA days of 158 days as on March 31, 2023 as compared to 146 days as on March 31, 2022. Additionally, the fund-based limit utilized at 77.58 per cent and the non-fund-based limit utilized at 78.28 per cent for the ten-months ended October 2023.

Acuité believes that going forward the liquidity position of the company will improve owing to gradually improving cash accruals.

Outlook: Stable

Acuité believes that OCPL's outlook will remain 'Stable' over the medium term on account of the long track record of operations, experienced management and moderate financial risk profile and strong order book position. 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

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	97.67	92.48
PAT	Rs. Cr.	1.68	1.29
PAT Margin	(%)	1.72	1.40
Total Debt/Tangible Net Worth	Times	0.44	0.34
PBDIT/Interest	Times	3.40	3.22

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

Not Applicable

Any other information

None

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. Acuité'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
01 Feb 2024	Working Capital Demand Loan	Long Term	1.67	ACUITE BBB- (Withdrawn)
	Cash Credit	Long Term	12.00	ACUITE BBB- Stable (Reaffirmed)
	Bank Guarantee	Short Term	4.00	ACUITE A3 (Assigned)
	Cash Credit	Long Term	2.00	ACUITE BBB- Stable (Assigned)
	Bank Guarantee	Short Term	31.00	ACUITE A3 (Reaffirmed)
	Bank Guarantee	Short Term	9.00	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	1.00	ACUITE BBB- Stable (Reaffirmed)
	Working Capital Demand Loan	Long Term	0.25	ACUITE BBB- Stable (Reaffirmed)
	Bank Guarantee	Short Term	3.00	ACUITE A3 (Assigned)
	Cash Credit	Long Term	1.00	ACUITE BBB- Stable (Reaffirmed)
	Bank Guarantee	Short Term	9.00	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	3.00	ACUITE BBB- Stable (Assigned)
13 Feb 2023	Working Capital Demand Loan	Long Term	1.92	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	1.00	ACUITE BBB- Stable (Assigned)
	Bank Guarantee	Short Term	27.00	ACUITE A3 (Reaffirmed)
	Cash Credit	Long Term	1.00	ACUITE BBB- Stable (Reaffirmed)
	Bank Guarantee	Short Term	9.00	ACUITE A3 (Assigned)
	Bank Guarantee	Short Term	4.00	ACUITE A3 (Assigned)
	Cash Credit	Long Term	6.00	ACUITE BBB- Stable (Reaffirmed)
	Cash Credit	Long Term	6.00	ACUITE BBB- Stable (Assigned)
	Bank Guarantee	Short Term	9.00	ACUITE A3 (Reaffirmed)
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
Yes Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	9.00	ACUITE A3 Reaffirmed
Punjab National Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	31.00	ACUITE A3 Reaffirmed
ICICI Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	9.00	ACUITE A3 Reaffirmed
ICICI Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	4.00	ACUITE A3 Assigned
Punjab National Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	3.00	ACUITE A3 Assigned
ICICI Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.00	ACUITE BBB- Stable Reaffirmed
Punjab National Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	12.00	ACUITE BBB- Stable Reaffirmed
Yes Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.00	ACUITE BBB- Stable Reaffirmed
ICICI Bank Ltd	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.00	ACUITE BBB- Stable Assigned
Punjab National Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	3.00	ACUITE BBB- Stable Assigned
Punjab National Bank	Not avl. / Not appl.	Working Capital Demand Loan (WC DL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.25	ACUITE BBB- Stable Reaffirmed
Punjab National Bank	Not avl. / Not appl.	Working Capital Demand Loan (WC DL)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.67	ACUITE BBB- Reaffirmed & Withdrawn

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in Siddharth Shah Analyst-Rating Operations Tel: 022-49294065 siddharth.shah@acuite.in	Varsha Bist Senior Manager-Rating Operations Tel: 022-49294011 rating.desk@acuite.in

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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