

Press Release

Damodar Ropeways & Infra Limited (DRIL)

May 29, 2019

Rating Assigned



Total Bank Facilities Rated*	Rs. 25.00 Cr.
Long Term Rating	ACUITE BBB-/Stable (Assigned)
Short Term Rating	ACUITE A3 (Assigned)

* Refer Annexure for details

Rating Rationale

Acuite has assigned the long term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) to the Rs.25.00 crore of bank facilities of Damodar Ropeways & Infra Limited (DRIL). The outlook is '**Stable**'.

Damodar Ropeways & Infra Limited (DRIL) was incorporated in 1974 by Mr. Champa Lal Chamaria, Mr. Salil Kumar Ghosh and Mrs. Pushpa Goenka. DRIL is a Kolkata based company engaged in construction on Turnkey basis as well as on BOT basis, operation and maintenance of Aerial Ropeways for passengers and material.

Analytical Approach:

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

Key Rating Drivers:

Strengths

Experienced management and long track record of operation

DRIL's, a Kolkata based company was incorporated in 1974 by Mr. Champa Lal Chamaria, Mr. Salil Kumar Ghosh and Mrs. Pushpa Goenka, Director who possess more than four decades of experience in ropeways business. The long experience of the promoters have helped the company to establish comfortable relationship with their customers such as J&K State Cable Car Corporation, Odisha Construction Corporation Limited, Tourism Department Govt. of Sikkim, UD & HD Government of Sikkim, Jharkhand Tourism Corporation Limited, District Magistrate, Aajmeer among others.

Comfortable financial risk profile

The financial risk profile of the company is marked by moderate net worth, comfortable gearing and healthy debt protection metrics. The net worth of the company stood at Rs.36.89 crore in FY2018 as increased from Rs.30.31 crore in FY2017, mainly due to retention of annual profit and infusion of fresh capital of Rs.0.35 crore in to the business. The gearing of the company stands comfortable at 0.33 times as on March 31, 2018 when compared to 0.42 times as on March 31, 2017. The total debt of Rs.11.99 crore consist of long term debt of Rs. 8.25 crore and short term debt of Rs.3.74 crore. The interest coverage ratio (ICR) is healthy and stands at 3.54 times in FY 2018 as against 3.43 times in FY 2017. The debt service coverage ratio also stands comfortable at 1.55 times in FY2018 as against of 1.31 times in FY2017. The net cash accruals against total debt stand comfortable at 0.28 times in FY2018 as compared to 0.29 times in the previous year.

The financial risk profile of the company is expected to sustain at comfortable levels over the medium term backed by healthy accruals and no major debt funded capex.

Moderate scale of operation and moderate profitability

The revenues of the company stood moderate at Rs.43.40 crore in FY2018 as compared to Rs 45.62 crore in FY2017. The company has booked Rs. 51.75 crore as on 31st March 2019 (Provisional). The profitability of the company stood moderate at 9.24 per cent in FY2018 as compared to 10.29 per cent in FY2017. This deterioration in operating margin is mainly on account of increase in employee costs. The employee costs have increased from 25.28 per cent of operating income in FY'2017 to 29.78 per cent in FY'2018 due to hiring

of skilled technicians to ensure smooth functioning of their units. Net profitability of the company stands comfortable at 3.54 per cent in FY2018 as compared to 4.29 per cent in the previous year.

Weaknesses

Working capital intensive nature of operation

DRIL's working capital intensive nature of operation marked by Gross Current Assets (GCA) of 267 days in FY2018 compared to 237 days in FY2017. This high GCA is emanates mainly from high debtor days of 109 in FY2018 as compared to 76 in FY2017. The inventory days of the company stood moderate at 68 days in FY2018 as compared to 72 days in previous year.

Liquidity Position:

The company has moderate liquidity marked by healthy net cash accruals to its maturing debt obligation. The company has generated cash accruals of Rs. 3.33 crore in FY2017-18, while its maturing debt obligation was Rs.1.61 crore during the same period. The liquidity of the company is also supported by the free cash balance of Rs.3.93 crore as on 31st March 2018. However, the working capital limits of the company are fully utilized in the past six months ended March 2019. Going forward, Acuite believes liquidity is likely to remain comfortable due to healthy accruals as against of repayment obligations and no major debt funded capex plan.

Outlook: Stable

Acuite believes that the company will continue to benefit over the medium term from its management's extensive experience and established position in ropeway business. The outlook may be revised to 'Positive' if there is a substantial and sustained increase in the company's revenues and profitability margins, conversely, the outlook may be revised to 'Negative' in case of a steep decline in profitability margins, or significant deterioration in its capital structure most likely because of a further stretch in its working capital cycle.

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	43.40	45.62	60.70
EBITDA	Rs. Cr.	4.01	4.69	5.13
PAT	Rs. Cr.	1.54	1.96	3.48
EBITDA Margin	(%)	9.24	10.29	8.45
PAT Margin	(%)	3.54	4.29	5.73
ROCE	(%)	8.38	11.26	29.93
Total Debt/Tangible Net Worth	Times	0.33	0.42	0.52
PBDIT/Interest	Times	3.54	3.43	7.16
Total Debt/PBDIT	Times	2.11	1.94	1.95
Gross Current Assets (Days)	Days	267	237	211

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

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Manufacturing Entities - <https://www.acuite.in/view-rating-criteria-4.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

***Annexure – Details of instruments rated**

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	1.00	ACUITE BBB-/Stable (Assigned)
Term Loan	Not Applicable	Not Applicable	Not Applicable	13.98	ACUITE BBB-/Stable (Assigned)
Proposed Long Term	Not Applicable	Not Applicable	Not Applicable	0.02	ACUITE BBB-/Stable (Assigned)
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A3 (Assigned)

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About Acuite Ratings & Research:

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