

Press Release

Damodar Ropeways & Infra Limited

October 13, 2020

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 25.00 Cr.
Long Term Rating	ACUITE BBB-/Negative (Rating Reaffirmed, Outlook revised from 'Stable')
Short Term Rating	ACUITE A3 (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed the long term rating of '**ACUITE BBB-**' (**read as ACUITE triple B minus**) and the short term rating of '**ACUITE A3**' (**read as ACUITE A three**) on the Rs.25.00 crore of bank facilities of Damodar Ropeways & Infra Limited. The outlook is revised to '**Negative**' from '**Stable**'.

The revision in the outlook to 'Negative' is due to deterioration in the operating performance of the company and the trend is expected to remain subdued in the near term. The revision in outlook is also on account of deterioration in working capital management due to stretched receivables during FY2020 (Prov.). The revenue of the company has significantly declined to Rs.37.85 crore in FY2020 (Prov.) as compared to Rs.53.20 crore in the previous year. This deterioration is on account of lower execution in the construction project during the period along with a significant decrease in ropeway ticket sales during March 2020 due to the outbreak of 'Covid-19'.

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

Analytical Approach:

Acuité has considered the standalone business and financial risk profile of DRIL while arriving 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, and Mrs. Pushpa Goenka, Director who possess more than four decades of experience in ropeways business. The second-generation promoters, Mr Rajeev Ginodia, Mr. Aditya Vikram Chamaria also have extensive experience of more than a decade in a similar business. The long experience of the promoters has helped the company to establish a 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, Ajmer among others.

Healthy financial risk profile

The financial risk profile of the company is marked by moderate net worth, low gearing and healthy debt protection metrics. The net worth of the company stood at Rs.43.36 crore in FY 2020 (Prov.) as compared to Rs 39.80 crore in FY2019. This improvement in networth is mainly due to the retention of current year profit. The gearing of the company stood low at 0.38 times as on March 31, 2020 (Prov.) when compared to 0.43 times as on March 31, 2019. This improvement in gearing is on account of improvement in networth along with a decrease in short term debt utilization during 31st March 2020 (Prov.). The total debt of Rs.16.38 crore in FY2020 (Prov.) consists of long term debt of Rs.10.57 crore, unsecured loan from promoters of Rs.3.20 crore and short term debt of Rs.2.60 crore. Interest coverage ratio (ICR) is healthy and stood at 4.59 times in FY2020 (Prov.) as against 4.69 times in FY 2019. The debt service coverage ratio (DSCR) stood comfortable at 1.78 times in FY2020 (Prov.) as compared to 2.00 times in the previous year. The net cash accruals to total debt (NCA/TD) stood comfortable at 0.43 times in FY2020 (Prov.) as compared to 0.54 times in the previous year. Going forward, Acuité believes the financial risk profile of the company will be healthy backed by steady cash accruals and in the absence of major debt-funded capex plan.

Healthy profitability margin

The operating profitability margin of the company stood healthy at 13.87 per cent in FY2020 (Prov.) as compared to 10.37 per cent in the previous year. This improvement in profitability margin is on account of a decrease in construction material cost during the period. The net profitability margin of the company also stood healthy at 9.22 per cent in FY2020 (Prov.) as compared to 5.48 per cent in the previous year. Acuité believes the profitability margin of the company will be sustained at healthy levels over the medium term backed by their focus on the bottom-line and bid in projects accordingly.

Weaknesses

Working capital intensive nature of operation

The working capital intensive nature of operations is marked by high gross current asset (GCA) days of 366 days in FY2020 (Prov.) as compared to 230 days in FY2019. The GCA days of the company has increased on account of a significant increase in receivables to 110 days in FY2020 (Prov.) as against 84 days in the previous year. This increase in debtor days is mainly due to receivables during the year-end, which coincided with the nation-wide lockdown. The inventory days are comfortable at 64 days in FY2020 (Prov.) as compared to 42 days in the previous year. The high GCA days of the company is also due to the high other current assets of Rs.24.96 crore in FY2020 (Prov.).

Declining trend of revenue

The revenue of the company has significantly declined to Rs.37.85 crore in FY2020 (Prov.) as compared to Rs.53.20 crore. The company has achieved Rs.6.00 crore till 31st August 2020 (Provisional). This deterioration is on account of lower execution in the construction project during the period along with a significant decrease in ropeway ticket sales during March 2020 due to the outbreak of 'COVID-19'. Going forward, Acuité expected the revenue would remain subdued in the near term.

Rating Sensitivity

- Scaling up of operations while maintaining their profitability margin.
- Working capital management

Material Covenant

None

Liquidity Position: Adequate

The company has adequate liquidity marked by moderate net cash accruals of Rs.5.36 crore as against Rs.2.30 long term debt obligations in FY2020 (Prov.). The cash accruals of the company are estimated to remain in the range of around Rs. 3.85 crore to Rs. 7.01 crore during 2021-23 against Rs. 2.63 crore in FY2022 and Rs.2.96 crore in FY2023 of long term debt obligation. The working capital management of the company is marked by Gross Current Asset (GCA) days of 366 days in FY2020 (Prov.). The bank limit of the company has been only ~ 20 percent utilized during the last seven months ended in August 2020. Further, the liquidity of the company is also strengthened by the unencumbered cash of Rs.1.26 crore in FY2020 (Prov.). The current ratio of the company also stood healthy at 2.05 times in FY2020 (Prov.). Moreover, the company has availed the loan moratorium until August 2020 for Term Loan and Cash Credit. The company has also been sanctioned with COVID emergency fund of Rs.2.00 crore. The said loan is to be repaid in 4 years, including 1 year of the moratorium. Hence, Acuité believes that this short term funding will further ease the liquidity position of the company. Acuité believes that the liquidity of the company is likely to remain adequate over the medium term on account of moderate cash accruals against long debt repayments over the medium term.

Outlook: Negative

Acuité has revised the outlook to 'Negative' due to deterioration in their operating performance with a dip in revenues expected over the medium term. The revision in outlook also reflects further elongation in the working capital management of the company. The rating may be downgraded in case of any further deterioration in the working capital management or any further decline in turnover of the company leading to dip in the cash accruals. Conversely, the outlook may be revised to 'Stable' in case of improvement in their working capital management and steady turnover levels.

About the Rated Entity - Key Financials

	Unit	FY20 (Prov.)	FY19 (Actual)
Operating Income	Rs. Cr.	37.85	53.20
PAT	Rs. Cr.	3.49	2.92
PAT Margin	(%)	9.22	5.48
Total Debt/Tangible Net Worth	Times	0.38	0.43
PBDIT/Interest	Times	4.59	4.69

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

None

Any other information

None

Applicable Criteria

- Default Recognition – <https://www.acuite.in/view-rating-criteria-52.htm>
- Infrastructure Entities – <https://www.acuite.in/view-rating-criteria-51.htm>
- 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>

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings / Outlook
29- May-2019	Cash Credit	Long Term	1.00	ACUITE BBB-/Stable (Assigned)
	Term Loan	Long Term	13.98	ACUITE BBB-/Stable (Assigned)
	Proposed Long Term	Long Term	0.02	ACUITE BBB-/Stable (Assigned)
	Bank Guarantee	Short Term	10.00	ACUITE A3 (Assigned)

*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-/Negative (Rating Reaffirmed; Outlook revised from 'Stable')
Term Loan	December 2019	10.60%	March 2026	13.98	ACUITE BBB-/Negative (Rating Reaffirmed; Outlook revised from 'Stable')
Proposed Long Term Facility	Not Applicable	Not Applicable	Not Applicable	0.02	ACUITE BBB-/Negative (Rating Reaffirmed; Outlook revised from 'Stable')
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	10.00	ACUITE A3 (Reaffirmed)

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About Acuité Ratings & Research:

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