



## Press Release

### Dharamraj Contracts India Private Limited

September 30, 2020

#### Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Ratings	Rating Action
1.	Long Term Bank Facilities - Term Loan	5.00	IVR BB+/Stable Outlook (IVR Double B Plus with Stable Outlook)	Assigned
2.	Long Term Fund based Bank Facilities	20.00	IVR BB+/Stable Outlook (IVR Double B Plus with Stable Outlook)	Assigned
3.	Short Term Bank Facilities	95.00	IVR A4+ (IVR A Four Plus)	Assigned
	<b>Total</b>	<b>120.00</b>		

Details of Facilities are in Annexure 1

#### Detailed Rationale

The rating assigned to the bank facilities of **Dharamraj Contracts India Private Limited** draws comfort from its experienced promoters and top Management, Reputed Clients and Growing scale of operations with Healthy Profitability. However, these rating strengths are partially offset by its Tender-based nature of operations, intense competition in the industry and Moderate Working Capital Intensive Nature of Operation. The Rating also considers the Strong order book position of the firm reflecting satisfactory medium-term revenue visibility.

#### Key Rating Sensitivities:

##### Upward Factor:

- Strong order book going into the future
- Keeping the debt protection metrics in check as working capital requirements increase

##### Downward factor:

- Decline in profitability levels thereby impacting company's debt coverage indicators.



## Press Release

### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

##### **Experienced management and historical track record of operations**

Mr. Chaman Singh (Promoter & Director) along with Ms. Varsha Chaudhary, Mr. Hari Om Gera and Ms. Joann Madhu Singh, who are directors at the company hold experience of more than two decades in the aforementioned line of business. The company's relationships with its customers and suppliers is reflected by the fact that it is able to get repetitive orders and is able to complete them on time as well. As the company's major clients are all government entities, the fact that they are able to get contracts on a regular basis showcases the trust the market has in the company.

##### **Moderate Risk Profile**

The total outside liabilities to tangible net worth (TOL/TNW) ratio improved significantly to 2.27 times as on 31 March, 2020 (from 3.30 times as on 31 March, 2018), largely on account of improved profitability which can be seen through improved EBITDA and PAT margins resulting in increase of adjusted net worth to Rs. 40.84 crore as on 31 March, 2020. This clearly shows that the shareholders have confidence in the company. The debt metrics have remained fairly in control over the course of last 3 years with the company being able to generate enough surplus to repay the obligations.

#### Key Rating Weaknesses

##### **Competitive and Fragmented Nature of the industry**

DCIPL is in the business of construction of roads, bridges, underpasses and subways on EPC basis. This particular sector is marked by the presence of several mid to big size players. DCIPL faces intense competition from the other players in the sectors. The higher the number of market players, the easier it is to lose clients to the competition. This also puts an upper limit on the price they can charge in completing the project. Risks become more pronounced as tendering is based on minimum amount of bidding of contracts.

##### **Intense Working capital nature of operations**

The road construction industry is very working capital intensive in nature as we can see in the utilization rate of working capital limits and the number of days, they give the debtors to pay.



## Press Release

The debtor days are at an average above 100 which is very long as compared to the other metrics.

**Analytical Approach:** Standalone

**Applicable Criteria:**

Rating Methodology for Infrastructure Companies

Financial Ratios & Interpretation (Non-financial Sector)

### **Liquidity – Adequate**

The company has adequate liquidity as seen by Gross Cash Accruals of Rs. 11.62 crore which are higher as compared to the debt obligations ranging around Rs. 7-9 crores from FY21-23. Its bank limits are utilized to the extent of ~89% during the past 12 months ended August 30, 2020 indicating enough liquidity buffer.

### **About the Company**

Incorporated in 2010 by Mr. Chaman Singh and his father Mr. Singhraj Singh, DCIPL is involved in the construction of roads and subways for both government and private entities. It is a class “AA” contractor with Ghaziabad Development Authority, Noida Development Authority and various Public Works Departments (PWD’s). The promoters of the company have been in this line of business since past two decades. The company has extensive experience in working with Government clients and also been getting repeat orders by the same.

### **Financials (Standalone):**

For the year ended*/As on	(Rs. crore)	
	31-03-2019	31-03-2020
	<b>Audited</b>	<b>Provisional</b>
Total Operating Income	125.37	125.54
EBITDA	17.58	20.63
PAT	6.21	7.14
Total Debt	47.19	56.44
Tangible Net worth	29.05	36.19
EBITDA Margin (%)	14.02	16.43
PAT Margin (%)	4.87	5.63
Overall Gearing Ratio (x)	1.51	1.38



## Press Release

*\*Classification as per Infomerics' standards*

**Status of non-cooperation with previous CRA: Not Applicable**

**Any other information: Nil**

**Rating History for last three years:**

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Term Loan	Long Term	5.00	IVR BB+/Stable			
2.	Cash Credit	Long Term	20.00	IVR BB+/Stable	-	-	-
3.	Bank Guarantee	Short Term	95.00	IVR A4+			

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).

**Name and Contact Details of the Rating Analyst:**

Name: Ms. Smriti Jetly

Tel: (011) 24611910

Email: [sjetly@infomerics.com](mailto:sjetly@infomerics.com)

**About Infomerics:**

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.



## Press Release

**Disclaimer:** Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.

### Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Bank Facilities –Term Loan	-	-	-	5.00	IVR BB+/Stable
Bank Facilities – Cash Credit	-	-	-	20.00	IVR BB+/Stable
Short Term Bank Facilities–Bank Guarantee	-	-	-	95.00	IVR A4+