

## Diactinic Developers Private Limited

March 02, 2022

### Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	9.57	CARE B; Stable; ISSUER NOT COOPERATING* (Single B; Outlook: Stable ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	0.68	CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
<b>Total Bank Facilities</b>	<b>10.25</b> <b>(Rs. Ten Crore and</b> <b>Twenty-Five Lakhs Only)</b>		

Details of instruments/facilities in Annexure-1

### Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Diactinic Developers Private Limited (DDPL) to monitor the rating(s) vide e-mail communications/ letters dated February 10 2022, February 24 2022 among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. Further, Diactinic Developers Private Limited has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The rating on Diactinic Developers Private Limited's bank facilities will now be denoted as **CARE B; Stable; Issuer Not Cooperating\*/ CARE A4; Issuer Not Cooperating\***.

***Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).***

The ratings take into account lack of information and uncertainty around the credit risk profile of the company.

**Rating Sensitivities:** Not Applicable

### Detailed description of the key rating drivers

At the time of last rating on June 01 2021, the following were the rating strengths and weaknesses:

#### Key Rating Weaknesses

##### Small scale and short track record of operation with low profitability margins

DDPL has a relatively small scale of operation and a very short track record of operation. Moreover, the total operating income of the company witnessed gradual increase over the last three financial years FY18 to FY20 mainly on account of higher execution of orders in hand. However, the same remained small at Rs.21.14 crore in FY20. The relatively small size restricts the financial flexibility of the company in terms of stress and deprives it from benefits of economies of scale. Due to its relatively small scale of operations, the absolute profit levels of the company also remained low. PBILD level and PAT levels have also remained small at Rs.1.15 crore and Rs. 0.53 crore, respectively in FY20. The tangible net worth of the company was at Rs. 0.17 crore as on March 31, 2020. The capital employed of the company remained low at Rs.11.52 crore as on March 31, 2020. However, the profitability margins remained low marked by PBILD and PAT margins of 5.42% and 2.53% respectively, in FY20. Furthermore, the company has booked revenue of Rs.5.89 crore during 11MFY21.

There was restriction on the construction activities since the lockdown was imposed on March 25, 2020 so the firm has not been able to operate. However, the company has resumed some construction works after October, 2020. The construction industry; being a labour intensive; the firm has resumed operations with limited manpower due to low labour availability owing to COVID issue. However, the firm is expecting to operate smoothly from December, 2020 and the company has booked revenue of Rs.5.89 crore during 11MFY21.

##### Susceptibility of operating margin due to volatility in input material prices and labour charges

The basic input materials for execution of construction projects and works contracts are structure steel, stone chips, bitumen, cement etc. The prices of which are highly volatile and the contracts executed by the entity does have price escalation clause in most of the contract.

Therefore, the company is exposed to volatility in the prices of input materials. The labour prices are not volatile. Majority of labourers are of unskilled category and are available in abundant.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

\*Issuer did not cooperate; Based on best available information

**Risk associated with participating in tenders and intense competition in the industry**

The company has to bid for the contracts based on tenders opened by the Government of West Bengal. Upon successful technical evaluation of various bidders, the lowest bid is awarded the contract. The company receives projects which majorly are of a short to medium tenure (i.e. to be completed within maximum period of one to two years). Furthermore, orders are generally tender driven floated by government units indicating a risk of non-receipt of contract in a competitive industry. The outlook of construction sector appears challenging in view of slow execution of the existing order book in view of hindrances related to land acquisition, obtaining requisite clearances, labour shortage and liquidity issues with the clients, etc. Additionally, the sector is plagued with elongated working capital cycle leading to increase in debt level of construction entity.

**Leveraged capital structure and weak debt coverage indicators**

The capital structure of the company remained leveraged marked by long term debt-equity ratio of 14.21x and overall gearing ratio of 66.29x, as on March 31, 2020 on account of low accumulation of profits into reserve, availment of term loan and vehicle loan and higher working capital utilisation as on account closing date. Further, the debt coverage indicators remained weak marked by total debt to GCA of 15.84x in FY20 on account of high total debt position as well as lower cash accruals of the company. Furthermore, the interest coverage ratio deteriorated in FY20 on account of rise in interest cost and remained moderate at 2.64x.

Despite infusion of equity capital of Rs.1.0 crore, the overall gearing will remain high.

**Working capital intensive nature of operation**

The operations of the company remained the working capital intensive as the company executes orders mainly for West Bengal government departments. Due to its working capital-intensive nature of operations, the operating cycle remained moderate at 82 days during FY20 due to its amount of security deposits and delay in payment from the West Bengal Govt. Moreover, the average utilization of working capital was almost fully utilised during the last 12 months ended on Feb.2021.

**Key Rating Strengths****Experienced management**

Diactinic Developers Private Limited (DDPL) was incorporated in March 2017, at Kasba in West Bengal. The entity is engaged in civil construction business in the segment like roads, bridge and building. DDPL secures work contracts through tender and executes orders mainly for various departments of West Bengal Government. The major clients of the company include reputed names like Public Works Department (PWD) West Bengal, Mackintosh Burn Limited (MBL) and contracts for South 24 Parganas (West Bengal).

Mr. Debasis Ghosh has more than three decades of experience in civil construction industry. They look after the day-to-day operations of the entity along with other technical and non-technical professionals who are having long experience in this industry.

**Reputed clientele resulting in minimal default risk with customers**

DDPL executes orders for Public Works Department (PWD) government of West Bengal, Mackintosh Burn Limited (MBL) and for South 24 Parganas (West Bengal) which exposes it to client concentration risk. However, the promoter has long standing relationship with these clients for around two decades which offsets the risk to some extent. Further as the clients of the entity are government units thus the default risk is minimal.

**Satisfactory order book position representing revenue visibility**

The firm has moderate order book position of Rs.67.99 crore (which is 3.22x of FY20 Turnover) as on March 15, 2021 which is expected to be complemented by March 2022.

**Liquidity:** Not Applicable

**Analytical approach:** Standalone

**Applicable Criteria**

[Policy in respect of Non-cooperation by issuer](#)

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Rating Methodology – Construction Sector](#)

**About the Company**

Diactinic Developers Private Limited (DDPL) was incorporated in March 14, 2017, with its office located at Kasba in West Bengal. It has started operation since April, 2019 and the entity has been engaged in civil construction business in the segment like roads, bridge and building. DDPL secures work contracts through tender and executes orders mainly for various departments of West Bengal Government. The major clients of the company include reputed names like Public Works Department (PWD) West Bengal, Mackintosh Burn Limited (MBL) and contracts for South 24 Parganas (West Bengal).

Mr. Debasis Ghosh has more than three decades of experience in civil construction industry. They look after the day-to-day operations of the entity along with other technical and non-technical professionals who are having long experience in this industry.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	9MFY22 (P)
Total operating income	21.14	14.64	NA
PBILDT	1.15	1.56	NA
PAT	0.43	0.20	NA
Overall gearing (times)	68.32	48.68	NA
Interest coverage (times)	2.64	1.45	NA

A: Audited; P: Provisional; NA: Not Available

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

**Any other information:** Not Applicable

**Rating History for last three years:** Please refer Annexure-2

**Covenants of rated instrument / facility:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of various instruments rated for this company:** Annexure 4

#### Annexure-1: Details of Instruments / Facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	7.25	CARE B; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Term Loan	-	-	-	June 2022	2.32	CARE B; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-Bank Guarantee	-	-	-	-	0.68	CARE A4; ISSUER NOT COOPERATING*

\*Issuer did not cooperate; Based on best available information

#### Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Cash Credit	LT	7.25	CARE B; Stable; ISSUER NOT COOPERATING*	1)CARE B; Stable (01-Jun-21)	-	-	-
2	Fund-based - LT-Term Loan	LT	2.32	CARE B; Stable; ISSUER NOT COOPERATING*	1)CARE B; Stable (01-Jun-21)	-	-	-
3	Non-fund-based - ST-Bank Guarantee	ST	0.68	CARE A4; ISSUER NOT COOPERATING*	1)CARE A4 (01-Jun-21)	-	-	-

\*Issuer did not cooperate; Based on best available information

**Annexure-3: Detailed explanation of covenants of the rated instrument / facilities:** Not Applicable

#### Annexure 4: Complexity level of various instruments rated for this company

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - ST-Bank Guarantee	Simple

#### Annexure 5: Bank Lender Details for this Company

To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of the rated instrument:** CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

## Contact us

### Media Contact

Name: Mradul Mishra  
Contact no.: +91-22-6754 3573  
Email ID: mradul.mishra@careedge.in

### Analyst Contact

Name: Punit Singhania  
Contact no.: +91 98743 41122  
Email ID: punit.singhania@careedge.in

### Relationship Contact

Name: Anwesa Mukhopadhyay  
Contact no.: +91-33-4018 1637  
Email ID: anwesa.mukhopadhyay@careedge.in

### About CARE Ratings Limited:

Established in 1993, CARE Ratings Ltd. is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India (SEBI), it has also been acknowledged as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). With an equitable position in the Indian capital market, CARE Ratings Limited provides a wide array of credit rating services that help corporates to raise capital and enable investors to make informed decisions backed by knowledge and assessment provided by the company.

With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

### Disclaimer

The ratings issued by CARE Ratings Limited are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. These ratings do not convey suitability or price for the investor. The agency does not constitute an audit on the rated entity. CARE Ratings Limited has based its ratings/outlooks based on information obtained from reliable and credible sources. CARE Ratings Limited does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions and the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE Ratings Limited have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE Ratings Limited or its subsidiaries/associates may also be involved with other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE Ratings Limited is, inter-alia, based on the capital deployed by the partners/proprietor and the current financial strength of the firm. The rating/outlook may undergo a change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE Ratings Limited is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE Ratings Limited's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

**\*\*For detailed Rationale Report and subscription information, please contact us at [www.careedge.in](http://www.careedge.in)**