D.M.P. Nirman Private Limited

December 17, 2021

Ratings

Facilities/ Instruments	Amount (Rs. crore)	Rating[1]	Rating Action
Long Term Bank Facilities	8.00	CARE BB; Stable; ISSUER NOT COOPERATING* (Double B; Outlook: Stable ISSUER NOT COOPERATING*)	Revised from CARE BB+; Stable (Double B Plus; Outlook: Stable) and moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	8.00	CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)	Revised from CARE A4+ (A Four Plus) and moved to ISSUER NOT COOPERATING category
Total Bank Facilities	**16.00 (Rs. Sixteen Crore Only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE Ratings Ltd. has been seeking information including 'No Default Statement' from D.M.P. Nirman Private Limited to monitor the rating(s) vide e-mail communications/letters dated September 30, 2021,December 02, 2021 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 Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating. Further, D.M.P. Nirman Private Limited has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The rating on Highland Exim Private Limited's bank facilities will now be denoted as **CARE BB; Stable/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 have been revised on account of non-availability of adequate information thereby leading to uncertainty around its credit risk. Moreover, the ratings take into account its exposure to volatility in input prices and geographical concentration, high working capital intensive operations, vulnerability of change in budget allocation policies and intense competition. The ratings drive strength from extensive experience of the promoters with established track record of operations.

Detailed description of the key rating drivers

At the time of last rating on March 30, 2021 the following were the rating strengths and weaknesses

Key Rating Weaknesses

Modest scale of operations: The scale of operations of the company remained modest marked by total operating income of Rs.87.41 crore (FY19: Rs.102.05 crore), PAT of Rs.13.85 crore (FY19: Rs.10.51 crore), and cash accruals of Rs.14.26 crore (FY19: Rs.10.97 crore) in FY20. Furthermore, the tangible networth also remained moderate at Rs.63.71 crore as on March 31, 2020. It has booked a turnover of Rs.61.00 crore during the period from April 01, 2020 to March 24, 2021.

Exposure to volatility in input prices: The major inputs for any civil contractors are bitumen, cement, bricks, asphalt, stone chips and metals, the prices of which are highly volatile, and the contracts executed by the company does not contain price escalation clause. Therefore, the company is exposed to volatility in the prices of input materials. This apart, it does not enter into any agreement with contractees to safeguard its margins against any increase in labour prices and being present in a highly labour-intensive industry, it remains susceptible to the same.

High collection periods resulted into high working capital intensive operations: The construction segment has high working capital intensity primarily due to funding requirement towards the security deposits, retention amount and margin money for the non-fund-based facilities and debtors. The company mainly executes orders of government units and accordingly it requires to extend higher credit to its clients apart from security deposits and retention money and accordingly the average collection period remained on the higher side during last three years which has resulted into high gross current assets days for past few years. However, the requirement of non-fund-based limits remains high on account of requirement of performance and financial bank guarantee for project bidding and retention money.

[1]Complete definitions of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications.
*Issuer did not cooperate; Based on best available information

Geographical concentration, vulnerability of changes in budget allocation policies, and intense competition: The project portfolio of DMP is concentrated in the state of West Bengal. Any change in geo political environment would affect all the projects at large. Furthermore, any changes in current policies of the state government regarding change in budget allocation would impact DMP's revenue considerably. DMP operates in an industry characterized by the presence of many small and mid-sized players resulting into a fragmented and competitive nature of industry. Furthermore, the awards of contracts are tender-driven and lowest bidder gets the work. Increase in competition on the back of bid-driven nature of the business and relaxation in the pre-qualification criteria by some of the nodal agencies has resulted in aggressive bidding by many construction companies during the last couple of years.

Key Rating Strengths

Experienced promoter with established track record of operations: DMP is into civil construction business since 1994 and thus has long track record of operations. Mr. Syed Mortuza Ali is associated with the company since its inception and thus has more than two decades of experience in civil construction business. Furthermore, all other directors Mr. Manash Roy Chowdhury, Mr. Debashis Sengupta and Mr. Parameshwar Palai also have long experience in civil construction industry. All the promoters are looking after the overall management of the company. Further, the promoters are supported by a team of experienced professionals.

Healthy profit margins: The profit margins remained healthy marked by operating margin of 23.40% (FY19:16.47%) and PAT margin of 15.84% (FY19:10.30%) in FY20. The operating margin has witnessed erratic trend during last three years and the same has improved during FY20 on account of better management of cost of operation. Further, the PAT margin also improved during FY20 on account of low capital charges. Return on capital employed also remained satisfactory at 32.60% in FY20 as against 30.42% in FY19.

Comfortable capital structure with strong debt coverage indicators: The capital structure of the company remained comfortable marked by nil overall gearing as on March 31, 2020 on account of absence of debt as on account closing date. Moreover, the debt coverage indicators also remained strong marked by interest coverage of 22.09x (FY19: 14.42x) in FY20. Improvement in interest coverage ratio was on account of low interest expenses vis-à-vis increase in PBILDT level during FY20.

Healthy order book position: The company has an unexecuted order book position of Rs.136.15 crore (1.56x of FY20 total operating income) as on February 28, 2021 which is to be executed by December 2022. The revenue visibility seems to be good in near term as revealed from its healthy order book position.

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer]
[Criteria on assigning Outlook to Credit Ratings]
[CARE's Policy on Default Recognition]
[Financial ratios – Non-Financial Sector]
[Short Term Instruments]
[Rating Methodology – Construction Sector]

About the Company

D.M.P Nirman Private Ltd. (DMP) was incorporated in April 1994 by Shri Syed Mortuza Ali, Shri Manash Roy Chowdhury, Shri Debashis Sengupta and Shri Parameshwar Palai. Since its inception, the company has been engaged in civil construction activities in the segment of building construction like construction of schools, hospitals, thermal power plants, university buildings, factory sheds, warehouse etc. DMP is classified as 'Class A' contractor by the Government of West Bengal which enables it to participate in higher value contracts. DMP participates in tenders and executes orders for the various departments of Government of West Bengal.

Brief Financials (Rs. crore)	31-03-2019 (A)	31-03-2020 (A)	24/03/2021 (Prov.)
Total operating income	102.05	87.41	61.00
PBILDT	16.81	20.46	-
PAT	10.51	13.85	-
Overall gearing (times)	0.16	0.00	-
Interest coverage (times)	14.42	22.09	-

A: Audited, Prov.- Provisional

Status of non-cooperation with previous CRA: Nil

Any other information: Not applicable

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

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
Non-fund-based - ST-Bank Guarantees		-	-	-	8.00	CARE A4; ISSUER NOT COOPERATING*
Fund-based - LT-Bank Overdraft		-	-	-	8.00	CARE BB; Stable; 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	Non-fund-based - ST-Bank Guarantees	ST	8.00	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4+ (30-Mar-21) 2)CARE A4+ (16-Jun-20)	1)CARE A4; ISSUER NOT COOPERATING* (25-Feb-20)	1)CARE A4+ (07-Feb-19) 2)CARE A4; ISSUER NOT COOPERATING* (17-Sep-18)
2	Fund-based - LT-Bank Overdraft	LT	8.00	CARE BB; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB+; Stable (30-Mar-21) 2)CARE BB+; Stable (16-Jun-20)	1)CARE BB; Stable; ISSUER NOT COOPERATING* (25-Feb-20)	1)CARE BB+; Stable (07-Feb-19) 2)CARE BB; Stable; ISSUER NOT COOPERATING* (17-Sep-18)

*Issuer did not cooperate; Based on best available information

Annexure-3: Detailed explanation of covenants of the rated instrument / facilities: NA

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

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Bank Overdraft	Simple
2	Non-fund-based - ST-Bank Guarantees	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.

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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.

****For detailed Rationale Report and subscription information, please contact us at** www.careedge.in