

Durga Krishna Store Private Limited

January 19, 2023

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	2.00	CARE BB-; Stable; ISSUER NOT COOPERATING*	Revised from CARE BB; Stable (Double B; Outlook: Stable) and moved to ISSUER NOT COOPERATING category
Long Term / Short Term Bank Facilities	20.00	CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING*	Revised from CARE BB; Stable / CARE A4+ (Double B ; Outlook: Stable / A Four Plus) and moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE has been seeking monthly 'No Default Statement (NDS)' and information from Durga Krishna Store Private Limited (DKSPL) to monitor the ratings vide e-mail communications dated Jan 03, 2023, Jan 10, 2023, and January 12, 2023, among others and numerous phone calls. However, despite our repeated requests, the company has not provided the NDS and 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. The rating on DKSPL's bank facilities will now be denoted as '**CARE BB- / 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 ratings.

The ratings have been revised on account of small scale of operation, client concentration risk albeit reputed clientele, intense competition in the industry. However, the rating derives strength from experienced promoter with established track record of operations and healthy order book position, thrust of the government on infrastructure development and comfortable capital structure with satisfactory debt coverage indicators.

Description of the key rating drivers

At the time of last rating on February 04, 2022, the following were the rating strengths and weaknesses (updated for the information available from Registrar of Companies).

Analytical approach: Standalone

Key weaknesses

Small scale of operation with moderate profit margins

The total operating income has declined by 10.4% to Rs. 66.28 crore in FY22 from Rs. 73.97 crore in FY21 on the back of lower execution of orders in hand. The operating margin has also moderated to 5.42% in FY22 as against 7.07% in FY21.

Client concentration risk albeit reputed clientele

DKSPL executes orders mainly for various public sector units like Public Works Department (Assam), Indian Railway, Indian Oil Corporation Ltd, etc. and earns revenue of about 90%-95% of its total operating income from the above clients which exposes it to client concentration risk. However, the company has long standing relationship with these clients for more than a decade which offsets the risk to some extent. Further the clients of the company are reputed government players and hence, default risk is minimal.

Intense competition in the industry

The company belongs to intensely competitive construction industry wherein the allotment of works is the direct function of project execution capability in terms of bidder's experience along with their financial capability and quoted bid price. The highly competitive intensity on account of the presence of large number of contractors results into aggressive bidding which exerts pressure on the margins. Furthermore, aggressive bidding, interest rate risk and delays in project due to environmental clearance are other external factors that affect the credit profile of industry players.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Key strengths

Experienced promoter with established track record of operations and healthy order book position

The company is into civil construction business since 2007 and it has executed various civil works in the state of west Bengal and Assam. Due to long track record of operations the company has established satisfactory relationship with its customers and suppliers. Further, the key promoter; Mr. Pawan Kumar Mundra is associated with the company since its inception and has long experience in civil construction industry, looks after the day to day operations of the company. He is supported by director Mr. Tanuj Mundra. The company directly participate in tenders floated by various government departments like PWRD, Indian Railways etc. and secured orders. All the existing orders are mainly from Indian railways which are located in the state of West Bengal, Assam and Bihar. The company has an unexecuted order book position of Rs.194.14 crore (2.60x of FY21 total operating income) as on December 31, 2021 which is to be executed by January 2023. The revenue visibility seems to be good in near term as revealed from its healthy order book position.

Thrust of the government on infrastructure development

The company is expected to benefit from Union Government and State Government's thrust towards infrastructure development activities including roads, bridges, and smart cities, which is likely to auger well for the order inflow in construction sector. However, challenges beleaguering the segment such as delays in clearances and land acquisition, shifting of utilities, lowest price-base tendering and moderately high interest rates remain crucial to be addressed for smooth order execution.

Comfortable capital structure with satisfactory debt coverage indicators

The capital structure of the company remained comfortable marked by overall gearing ratio of 0.01x as on March 31, 2022 vis-à-vis 0.05x as on March 31, 2021. The improvement in overall gearing has been mainly due to repayment of the car loan. The total outside liabilities to tangible networth also improved to 0.25x as on March 31, 2022 as against 0.34x as on March 31, 2021. Further, the debt coverage indicators of the company also remained comfortable marked by interest coverage ratio of 49.89x and total debt to GCA of 0.07x in FY22. Improvement in interest coverage was on the back of low fund-based limit utilisations during the year leading to low interest expenses.

Applicable criteria

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

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Construction](#)

About the company

Durga Krishna Store Private Limited (DKSPL) was initially established as a partnership firm 'M/s Durga Krishna Store' in the year 1962 by Mr. Prabhu Dayal Mundra. It started its commercial operations as a supplier of various materials to the army command units in Northeast India. Later in the year 2007, the firm started a contractual business for infrastructure projects in Northeast India and became a private limited company. The company has been engaged in civil construction activities in the segment like construction of buildings, bridges, tunnels, roads, etc. The company is classified as Class – 1 (A) contractor by Public Works Division, Assam which indicates that the company can participate for higher value contracts released by government departments. DKSPL participates in tenders and executes orders for the Public Works Department (Assam), Indian Railway, Indian Oil Corporation Ltd, Power Grid Corporation of India Ltd, etc.

Brief Financials (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	9MFY23
Total operating income	73.97	66.28	NA
PBILDT	5.23	3.59	NA
PAT	3.85	4.11	NA
Overall gearing (times)	0.05	0.01	NA
Interest coverage (times)	8.08	49.89	NA

A: Audited

Status of non-cooperation with previous CRA: Non-cooperation from India Ratings vide its press release dated July 28, 2022.

Any other information: Not Applicable

Rating history for the last three years: Please refer Annexure-2

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

Complexity level of the various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Bank Overdraft		-	-	-	2.00	CARE BB-; Stable; ISSUER NOT COOPERATING*
Non-fund-based - LT/ST-Bank Guarantee		-	-	-	20.00	CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING*

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Bank Overdraft	LT	2.00	CARE BB-; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB; Stable (04-Feb-22)	1)CARE BB; Stable (19-Mar-21)	1)CARE BB; Stable (23-Jan-20) 2)CARE BB-; Stable; ISSUER NOT COOPERATING* (26-Sep-19)
2	Non-fund-based - LT/ST-Bank Guarantee	LT/ST*	20.00	CARE BB-; Stable / CARE A4; ISSUER NOT COOPERATING*	-	1)CARE BB; Stable / CARE A4+ (04-Feb-22)	1)CARE BB; Stable / CARE A4 (19-Mar-21)	1)CARE BB; Stable / CARE A4 (23-Jan-20) 2)CARE A4;

								ISSUER NOT COOPERATING* (26-Sep-19)
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*Long term/Short term.

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

Annexure-4: Complexity level of the various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Bank Overdraft	Simple
2	Non-fund-based - LT/ ST-Bank Guarantee	Simple

Annexure-5: Lender details

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

Note on the complexity levels of the rated instruments: CARE Ratings 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 us:

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