

Dineshchandra R. Agrawal Infracon Private Limited

January 10, 2025

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long-term / Short-term bank facilities	580.00 (Enhanced from 60.00)	CARE AA; Stable / CARE A1+	LT rating assigned and ST rating reaffirmed
Long-term / Short-term bank facilities	40.00	CARE AA; Stable / CARE A1+	LT rating reaffirmed and ST rating assigned
Long-term / Short-term bank facilities	4,481.82 (Enhanced from 3,921.82)	CARE AA; Stable / CARE A1+	Reaffirmed

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

Reaffirmation in ratings assigned to bank facilities of Dineshchandra R. Agrawal Infracon Private Limited (DRAIPL) continues to factors its improving segmental diversification in order book position leading to healthy revenue visibility and significant financial flexibility from a portfolio of six operational Hybrid Annuity Model (HAM) projects.

Ratings remain underpinned by DRAIPL's established track record in the construction sector with demonstrated execution capability and steady growth in scale of operations marked by compounded annual growth rate (CAGR) of 32% in the last four years, leading to a total operating income (TOI) of ₹6,382 crore in FY24 (FY refers to April 1 to March 31). Ratings continue deriving strength from its strong financial risk profile, marked by a low leverage, robust debt coverage indicators and efficient management of its working capital requirements, despite being present in a working capital-intensive industry. The liquidity position is strong, marked by a sizeable liquid cash and bank balance with unutilised bank lines in DRAIPL and its operational SPVs. Government's thrust on infrastructure development augurs well for DRAIPL.

However, ratings are tempered by DRAIPL's relatively moderate profitability compared to its peers, which is further susceptible to volatile commodity prices and inherent project execution risk, especially since most orders are at a nascent stage in newer segments. DRAIPL has secured large sized transmission project on Build, Own, Operate and Transfer (BOOT) basis which is expected to increase its funding requirement. Foraying into new segments also exposes company to sector specific challenges such as land acquisition, increased working capital intensity, among others. CARE Ratings also understands that DRAIPL plans to foray into overseas markets and hence pace of addition of new orders in different geographies and its impact on working capital intensity and leverage shall be key rating monitorable. However, risk is partially mitigated through past track record of satisfactory project progress in newer segments like High-Speed Rail and Tunnelling. Going forward, scaling up of operations through timely completion of ongoing projects while maintaining low leverage and lean gross current asset days shall be key rating monitorable.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Significant improvement in business risk profile and growth in its scale of operations while improving PBILDT margins to above 15% and maintaining low leverage on a sustained basis.

Negative factors

- Significant delays in executing projects, thus resulting significantly lower than envisaged TOI or a dip in the PBILDT margin to below 8% on a sustained basis.
- Deteriorating leverage, with adjusted net debt²/PBILDT exceeding unity on a sustained basis.
- Aggressively adding build-operate-transfer (BOT) projects, resulting in higher-than-expected corporate guarantee (CG) or equity commitment
- Increasing working capital intensity, marked by increasing gross current asset days over 150 days on a sustained basis.

Analytical approach

Standalone, factoring in equity commitment in SPVs and corporate guarantee provided to DRA Narmada Busport Private Limited and Dineshchandra Tollways Limited. Upstreaming of operational SPVs have also been assumed for funding of equity commitments.

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

² Adjusted net debt includes guaranteed debt but excludes interest-free mobilisation advances

Outlook: Stable

CARE Ratings expects the outlook to be steady, supported by strong financial flexibility from a pool of operational HAM SPVs and low leverage.

Detailed description of key rating drivers:**Key strengths****Increasing the pool of operational HAM assets strengthening financial flexibility**

DRAIPL has a healthy portfolio of six HAM road assets as of September 30, 2024. The pool consists of five HAM projects of the National Highways Authority of India (NHAI; rated 'CARE AAA; Stable') and one state HAM asset of Rajasthan. These projects have track record of receipt of 35 annuities with a balance concession life of over nine years (except of State HAM), rendering cashflow upstreaming visibility either through annual surplus, top-up loan, or stake sale. There is an undisbursed loan to the tune of ~₹200 crore available under these SPVs, which provides financial flexibility to DRAIPL.

Healthy revenue visibility and segmentally and geographically diverse order book

DRAIPL has strong order book of ₹24,089 crore (Including one L1 project whose Letter of Award received subsequently) as of September 30, 2024 translating order book-to-TOI ratio stands at 3.77x basis TOI of FY24, providing strong revenue visibility in the medium term. The order book is segmentally diversified, with roads and bridges contributing 31%, transmission contributing 23%, railways including station redevelopment at 15%, High-speed rail at 11%, water and sewage at 6%, Urban transportation at 4% and other segments contributing the balance. The order book is further geographically diversified across more than 15 states, with Rajasthan contributing ~25% of the order book followed by Gujarat with 22% while the balance is spread across Jharkhand, and Delhi, among others.

The clientele includes government departments such as the NHAI, the National High-Speed Rail Corporation (NHSRC), the Ministry of Railways, PGCIL-REC and few other state authorities, translating into limited counterparty risk. DRAIPL has awarded its first transmission project on BOOT basis from PGCIL-REC with contract value amounting to ₹5,660 crore in Rajasthan. It has taken projects segments such as energy, railway station redevelopment, smart city projects and water projects, among others. Going forward, management will continue to focus on these segments with widening of scope to segments such as Solar, Oil & Gas and airport infrastructure, among others.

Healthy growing scale of operations

DRAIPL reported a y-o-y growth of 11% in the scale of operations with a TOI of ₹6,382 crore in FY24 (FY23: ₹5,701 crore) by executing sizeable works in its engineering, procurement, and construction (EPC) projects. The company's TOI in the last four years ended March 31, 2024, grew at a CAGR of 32%. In H1FY25, DRAIPL reported a TOI of ₹2,716 crore depicting slight moderation of 5% against H1FY24 due to delay in receipt of appointed date in HAM projects. However, healthy uptick in execution from Q3FY25 is expected to result in around 10% growth in TOI during FY25.

Low leverage and robust debt coverage indicators

DRAIPL has a conservative external debt policy, marked by its low total debt and low utilisation of its fund-based working capital limits. The company's capital structure is comfortable, marked by an overall gearing (including mobilisation advances) of 0.76x as of March 31, 2024 (0.71x as of March 31, 2023). As of March 31, 2024, total debt (TD) was relatively on higher side due to interest-free mobilisation advances availed towards orders in hand. However, due to overall low leverage, interest coverage continues to remain strong at 16.08x in FY24 (FY23: 22.45x). DRAIPL has also extended a CG and a letter of undertaking for debt availed by two of its SPVs. The adjusted net debt continues to be remain negative. CARE Ratings expects adjusted net debt/PBILDT is expected to be below unity in the medium term.

DRAIPL has equity commitment of ~₹2000 crore in FY25-FY27. Of this, equity commitment of ~₹1200 crore pertains to the transmission project and balance towards HAM projects. This will be adequately met through gross cash accruals, surplus generation in operational SPVs and undisbursed debt at operational SPVs. DRAIPL has strong free cash and bank balance of ₹732 crore as on March 31, 2024 and low repayment obligations which further strengthen financial flexibility in case of exigency. Further, there is sizeable undisbursed debt for the under-construction HAM projects aiding liquidity.

Lean operating cycle

DRAIPL operates in the working capital-intensive construction industry with the funding required for security deposits, retention amount, and margin money towards contracts and non-fund-based facilities, apart from unbilled revenue owing to pending work certification. However, the company efficiently manages its working capital requirements, marked by an average gross current asset day of 98 days and a lean operating cycle of ~8 days for the year ended March 31, 2024. DRAIPL mainly relies on its internal

accruals for supporting equity commitments, working capital requirements and acquiring fixed assets, leading to lower indebtedness.

Experienced promoters and established track record of project execution

DRAIPL, under the able leadership of Dineshchandra Agrawal, has an established operational track record of over five decades in the construction segment and has executed multiple large-scale and prestigious projects. He is assisted by his sons, Hardik Agrawal and Sumit Agrawal. Jagdishchandra Agrawal, brother of Dineshchandra Agrawal, and his son, Ankit Agrawal, are also actively involved in the company's overall operations. DRAIPL has track record for achieving commercial operations date (COD) well-before scheduled commercial operations date (SCOD), without availing substantial debt, thus substantiating its strong execution capability.

Thrust of government on infrastructure development

Continued government thrust on the road construction sector augurs well for DRAIPL's growth prospects in the medium term. Under the government's National Infrastructure Pipeline (NIP), a substantial outlay on road construction – ~18% of the overall ₹111 trillion plan – is expected to provide the necessary impetus to companies operating in this segment. Railway station redevelopment projects aim to redevelop 400 railway station across India at ₹1 lakh crore through the Public Private Partnership (PPP) mode. The power sector is poised for growth, driven by continuous affordable power, higher electric mobility envisaged to be supplied through rapid addition in renewable capacity, and storage. This is likely to provide adequate growth opportunities in inter-state transmission, intra-state transmission, and cross border transmission. Increased focus of GOI on overall Infrastructure development is expected to benefit players such as DRAIPL, given its strong execution track record.

Key weaknesses

Relatively moderate profitability

DRAIPL's operating profitability over the years has remained moderate compared to its peers. In FY24, the company reported a PBILDT margin of 7.81% compared to 8.76% in FY23. The decline in margins is primarily considering increase in employee expenses for hiring of multiple personnels for its segmental diversification and increase in other expenses. The managerial remuneration stood high at ₹74 crore in FY24 (FY23: ₹57 crore). Adjusting this, operating margin stood at 8.97% in FY24. In H1FY25, the company reported a PBILDT margin of 9.30% compared to 9.06% in H1FY25. As DRAIPL is foraying into new segments such as transmission, energy, solar and tunnelling, among others, where margins are a bit moderate. Hence, DRAIPL's ability to improve and sustain its profitability is crucial from a credit perspective.

Challenges involved in scaling up resources, especially in newer segments and geographies

DRAIPL's 63% of the order book as of September 30, 2024, is in a nascent stage marked by less than 10% progress in execution. This is considering projects awarded in the last nine months and time required for design approval among others. DRAIPL forayed into newer segments such as transmission, water, energy, among others with focus on other segments such as Solar, Oil & Gas, battery storage, which exposed it to sector specific challenges. In case of transmission projects, onus of land acquisition lies with the contractor. Hence, delay in the completion of projects can lead to levy of liquidated damages. Transmission, metro and water projects are relatively higher working capital intensive, which could lead to increase in overall leverage. DRAIPL is looking to foray into new geographies outside India with countries such as Mauritius, Dubai, and Australia, where it will be exposed to inherent execution and geopolitical risks.

However, risk is partially mitigated through established track record for completing HAM projects ahead of schedule demonstrating strong execution capability. DRAIPL forayed into high-speed rail and tunnelling projects and both projects are progressing satisfactory, demonstrating good execution capability of DRAIPL. Going forward, extent of segmental and geographical diversification and its impact on working capital intensity and leverage shall be key rating monitorable.

Inherent challenges associated with the construction industry

The disproportionate hike in commodity prices compared to inflation indexation, aggressive bidding, delay in achieving financial closure or delay in project progress due to unavailability of regulatory clearances may affect credit profile of the contractor and exert pressure on margins of entities in the industry.

Liquidity: Strong

DRAIPL has strong liquidity, marked by sufficient cash accruals against low repayment obligations with unutilised working capital limits and free cash available. Gross loan repayments are in the range of ₹30-40 crore against gross cash accruals (GCA) of ₹379 crore in FY24. DRAIPL had free cash and cash equivalents of ₹732 crore as on March 31, 2024, and ₹769 crore as on September 30, 2024. Fund-based limits were utilised to the extent of only 47% for 11 months ended November 30, 2024, underscoring its

strong liquidity position. DRAIPL has enhanced its Fund based limits from ₹120 crore to ₹200 crore effective from December 2024, which provided added cushion.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

[Definition of Default](#)

[Factoring Linkages Parent Sub JV Group](#)

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

[Rating Outlook and Rating Watch](#)

[Financial Ratios – Non financial Sector](#)

[Construction](#)

[Road Assets-Hybrid Annuity](#)

[Infrastructure Sector Ratings](#)

[Short Term Instruments](#)

About the company and industry

Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Construction	Construction	Civil Construction

Founded in 1972 as a partnership firm by Dineshchandra R Agrawal, DRAIPL was converted to a private limited company in November 2003. It is engaged in constructing roads, bridges, smart city projects, railways, urban transportation and building and drainage systems across the country. The company has a portfolio of six operational HAM, seven under-construction HAM projects and two bus terminal development (real estate) projects as of September 30, 2024.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	H1FY25 (UA)
Total operating income	5,701	6,382	2,716
PBILDT	499	499	253
PAT	344	311	165
Overall gearing (times)	0.71	0.76	0.77
Interest coverage (times)	22.45	16.08	15.50

A: Audited UA: Unaudited; Note: these are latest available financial results

Status of non-cooperation with previous CRA: Not applicable

Any other information: Not applicable

Rating history for last three years: Annexure-2

Detailed explanation of covenants of rated instrument / facility: Annexure-3

Complexity level of 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 and Rating Outlook
Fund-based-LT/ST		-	-	-	160.00	CARE AA; Stable / CARE A1+
Fund-based-LT/ST		-	-	-	40.00	CARE AA; Stable / CARE A1+
Non-fund-based - LT/ ST-BG/LC		-	-	-	4321.82	CARE AA; Stable / CARE A1+
Non-fund-based - LT/ ST-BG/LC		-	-	-	580.00	CARE AA; Stable / CARE A1+

Annexure-2: Rating history for 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 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Commercial Paper- Commercial Paper (Carved out)	ST	-	-	-	-	1)Withdrawn (06-Feb-23) 2)CARE A1+ (19-May-22)	1)CARE A1+ (29-Mar-22)
2	Fund-based-LT/ST	LT/ST	160.00	CARE AA; Stable / CARE A1+	-	1)CARE AA; Stable / CARE A1+ (27-Mar-24)	1)CARE AA-; Stable / CARE A1+ (06-Feb-23) 2)CARE AA-; Stable / CARE A1+ (19-May-22)	-
3	Fund-based-LT/ST	LT/ST	40.00	CARE AA; Stable / CARE A1+	-	1)CARE AA; Stable (27-Mar-24)	1)CARE AA-; Stable (06-Feb-23) 2)CARE AA-; Stable (19-May-22)	-
4	Non-fund-based - LT/ ST-BG/LC	LT/ST	4321.82	CARE AA; Stable / CARE A1+	-	1)CARE AA; Stable / CARE A1+ (27-Mar-24)	1)CARE AA-; Stable / CARE A1+ (06-Feb-23) 2)CARE AA-; Stable / CARE A1+ (19-May-22)	-

5	Non-fund-based - LT/ ST-BG/LC	LT/ST	580.00	CARE AA; Stable / CARE A1+	-	1)CARE A1+ (27-Mar-24)	1)CARE A1+ (06-Feb-23) 2)CARE A1+ (19-May-22)	-
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LT: Long term; ST: Short term; LT/ST: Long term/Short term

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

Annexure-4: Complexity level of instruments rated

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

Annexure-5: Lender details

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

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

Contact us

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About us:

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