Dev Engineers

April 30, 2025

Facilities/Instruments	Amount (₹ crore)	Rating[1]	Rating Action
Long Term Bank Facilities	20.00	CARE BB+; Stable	Assigned
Long Term / Short Term Bank Facilities	80.00	CARE BB+; Stable / CARE A4	Assigned

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

CARE The ratings assigned to the bank facilities of Dev Engineers (DE) are constrained by moderate scale of operations, leverage capital structure, working capital intensive nature of operations and stretched liquidity position. The ratings are further tempered by the firm's highly competitive and fragmented industry with a tender driven nature of operations and customers' concentration risk with the existence of state-owned projects.

The ratings, however, derive strength from the established track record of the firm with experienced partners in civil construction work, and a healthy order book position with moderate profit margins leading to moderate debt coverage indicators.

Rating Sensitivities: Factors likely to lead to rating actions

Positive Factors

- Improvement in profit margins with PBILDT (Profit before interest, lease rentals, depreciation and taxation) margin exceeding 9% on a sustained basis
- Improvement in capital structure with total outside liabilities (TOL) / tangible net worth (TNW) reaching below 1.5x on a sustained basis
- Improvement in gross current assets period below 150 days with reduction in utilization of fund based working capital limits below 85% on a sustained basis

Negative Factors

- Decline in TOI below Rs. 200 crore or order book to TOI (Total Operating Income) falling below 2x impacting revenue visibility in the near to medium term
- Significant deterioration in profit margins leading to deterioration in the debt coverage indicators with interest coverage below 2x on a sustained basis
- Any significant withdrawal of capital by partners or unsecured loans leading to deterioration in the liquidity profile of the firm

Analytical approach: Standalone

Outlook: Stable

The continuation of "Stable" outlook reflects CARE Ratings Limited's (CARE Ratings) expectation of continued to support from its experienced promoter, with stable order book generation thereby maintaining sustainable scale of operations and moderate profit margins.

Detailed description of the key rating drivers:

Key weaknesses

Fluctuating albeit moderate scale of operations

The scale of operations remained moderate marked by TOI stood in the range of Rs.196 crore to Rs.402 crore during FY21-FY24. The TOI of the entity continuously increased from Rs.196.06 crore in FY21 to Rs. 402.50 crore in FY23. This substantial growth can be attributed to the firm's strategic expansion into new projects in the state of Gujarat. However, TOI of DE as declined from Rs.402.50 crore in FY23 to Rs.345.13 crore in FY24 on account of slower execution of orders along with spillover of billing for few completed contracts. During FY25, the firm reported net sales of Rs.526.29 crore. Nevertheless, the scale of operations continues to remain moderate with tangible networth of Rs.65.47 crore as on March 31, 2024 (vis-à-vis Rs.53.13 crore as on March 31, 2023). Further, the firm expects the revenue to increase in near to medium terms on back of healthy order book position.

Customer concentration risk with existence of state-owned projects

DE undertakes civil construction projects, including turnkey projects for roads, highways, urban infrastructure, water pipelines, beautification projects and commercial buildings & complexes. The services rendered by the firm are caters to Municipal

Corporations & Government bodies across Maharashtra, Gujarat, Karnataka, and Rajasthan. Out of total revenue, about 95% revenue in FY24 and 86% revenue in 10MFY25 contributed by top 10 customers. Municipal Corporation of Greater Mumbai (MCGM) being the highest contributor of revenue about 45% every year which led to customer concentration risk.

Leveraged capital structure
The capital structure of the firm remains leveraged, marked by overall gearing of 1.51 times as on March 31, 2024 (vis-à-vis 1.69 times as on March 31, 2023) on account of higher dependence on debt while the same has slightly improved on y-o-y basis due to increase in tangible net-worth. Further, the comfort can be drawn from the fact that out of total debt, 56% of unsecured loan from related parties which are partly interest bearing and partly interest free in nature and have no fixed schedule repayments. The total outside liabilities to tangible networth stood high at 3.85 times as on March 31, 2024 (vis-à-vis 4.89 times as on March 31, 2023). The capital structure is expected to remain moderated in the near term on account of higher reliance on the external debt (including unsecured loans from related parties).

Highly working capital-intensive nature of operations
The operations of DE are working capital intensive in nature marked by gross current assets period of 294 days in FY24 (vis-à-vis 245 days in FY23) due to amount of funds being blocked in inventory and debtors in form of retention money and security deposits. Further, collection period stood high at 119 days in FY24 (vis-à-vis 93 days in FY23). The elongation in the same was on account of delay in the receipt of payments from its customers as the same depends upon the fund availability with state departments and municipal corporations. Inventory period stood moderate at 37 days in FY24 (vis-à-vis 19 days in FY23). The creditors period also remained stretched at 132 days in FY24 (vis-à-vis 96 days in FY23). Hence, the working capital cycle stood at 24 days in FY24 (vis-à-vis 16 days in FY23). The same led to higher utilization of working capital limits.

Inherent risk associated with civil construction business and tender driven nature of operations
DE's work orders come exclusively from government and public sector undertakings, making it vulnerable to changes in the geopolitical environment and policy matters. Any shifts in government policy or spending can impact the firm's revenue. Additionally, DE faces risks from project delays due to regulatory approval issues, such as land acquisition. Additionally, the firm are awarded through the tender-based system which is characterized by intense competition. The growth of the business depends on its ability to successfully bid for the tenders and emerge as the lowest bidder.

Partnership nature of constitution
DE is a partnership firm; hence is exposed to inherent risk of partners' capital being withdrawn at time of personal contingency. Due to the partnership nature of constitution, it has restricted access to external borrowing where networth as well as credit worthiness of the partners are the key factors affecting credit decision of lenders. Partner have withdrawn fund of Rs. 5.84 crore as on March 31, 2024 (PY: Rs.13.55 crore withdrawal). However, partners have infused capital amounting to Rs. 8.07 crore during FY25.

Key strengths
Long track record of operations of the firm coupled with extensive experience of the promoters in the construction industry
Dev Engineers (DE) was established in 2004 by Mr. Pratap Purohit, having more than two decades of industry experience and looks after overall strategic decisions of the firm. The other partners Raghuvir Purohit and Dev Pratap Purohit having a decade and five years of experience respectively and looks after the oversees administration & supervision of projects operations. The promoters experience in civil construction activities and their strong understanding of market dynamics and healthy relationships with suppliers and customers, have helped to bring the sizable revenue to the business.

Healthy Order book position
The order book position of DE remained healthy with the total value of unexecuted orders reaching Rs.1,255.15 crore as on January 31, 2025, which is to be executed over 36 months thereby providing medium term revenue visibility to the firm. The firm deals with government authority like Municipal corporations, PWD, MMRDA etc. Further, revenue of the firm remained moderately diversified across four states namely Maharashtra, Gujarat, Karnataka and Rajasthan. Further, the entity secures orders by directly participating in bids and often forms joint ventures.

Moderate profitability with moderate debt coverage indicators
The PBILDT margin of DE stood moderate, however declining and stood in the range of 7.64% to 9.21% in past five years ended as on FY24. The PBILDT margin of the firm declined during FY22 to FY24, from 8.52% in FY22 to 7.94% in FY23 and 7.64% in FY24. The profitability margin of the firm depends on the cost of material consumed (i.e. steel, cement, bitumen etc) as well as subcontracting expenses incurred by firm. The total cost of material remained in the range of 20-45% of the total cost.

Subcontracting expenses as percentage of total cost has increased over the years and remained high at about 55% of total cost of sales which impacted the profit margins. Further, the aggressive bidding resultant in lower bid prices, which has significantly reduced the operating margin over the years. Further, the PAT margin stood moderate at 5.27% in FY24 (vis-à-vis 5.68% in FY23 and 5.91% in FY22).
The debt coverage indicators also stood moderate marked by total debt to GCA deteriorated in FY24 and stood at 5.01 times (vis-à-vis 3.69 times in FY23 and 4.71 times in FY22) mainly due increase in debt levels and reduction in profitability. Interest coverage ratio also stood moderate at 2.48x in FY24 (PY: 3.29x in FY23).

Liquidity: Stretched
The firm's liquidity is stretched, characterized by modest cash and bank balance and high utilization of working capital limits. The firm projected gross cash accrual remained sufficient to fund its debt repayment obligation of Rs.4 to 5 crore for FY25 and FY26. The average maximum fund-based utilisation of limits stood high at 96% for the past 12 months ending January 2025. The non-fund-based limits has an average utilization of ~90% during the same period. Further, the firm also availed temporary overdraft limits on a few occasions also additional BG limits availed by the firm against 100% FD margins. The cash flow from operations was positive at Rs.16.56 crore in FY24 (vis-à-vis positive of Rs.44.46 crore in FY23). The current ratio stood at 1.78x, while the quick ratio was at 1.48x in FY24).

Applicable criteria:

Definition of Default
Liquidity Analysis of Non-financial sector entities
Rating Outlook and Rating Watch
Financial Ratios – Non financial Sector
Construction Sector
Short Term Instruments

About the Company and industry
Industry classification

Macroeconomic indicator	Sector	Industry	Basic industry
Industrials	Construction	Construction	Civil Construction

Dev Engineers (DE), based in Maharashtra, was established in 2004 by Mr. Pratap Purohit. The firm is currently managed by Mr. Pratap Purohit, Mr. Dev Pratap Purohit, and Mr. Raghuvir Purohit as partners of the firm. DE undertakes civil construction projects, including turnkey projects for roads, highways, urban infrastructure, water pipelines, beautification projects and commercial buildings & complexes. The services rendered by the firm are catered to Municipal Corporations & Government bodies. The firm operates across Maharashtra, Gujarat, Karnataka, and Rajasthan.

Brief Financials (₹ crore)	March 31, 2023 (A)	March 31, 2024 (A)	March 31, 2025 (UA)
Total operating income	402.50	345.13	526.29
PBILDT	31.96	26.37	41.40
PAT	22.87	18.18	NA
Overall gearing (times)	1.69	1.51	1.20
Interest coverage (times)	3.29	2.48	4.25

A: Audited UA: Unaudited; NA- Not available Note: 'The above results are the latest financial results available'

Status of non-cooperation with previous CRA: Nil

Any Other information: Not Applicable

Disclosure of Interest of Independent/Non-Executive Directors of CARE: Not Applicable

Disclosure of Interest of Managing Director & CEO: Not Applicable

Rating History for last three years: Please refer 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-Cash Credit		-	-	-	20.00	CARE BB+; Stable
Non-fund-based - LT/ ST-Bank Guarantee		-	-	-	80.00	CARE BB+; Stable / CARE A4

Annexure-2: Rating History of 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 2025-2026	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
1	Non-fund-based - LT/ ST-Bank Guarantee	LT/ST	80.00	CARE BB+; Stable / CARE A4				
2	Fund-based - LT-Cash Credit	LT	20.00	CARE BB+; Stable				

LT: Long term; ST: Short term; LT/ST: Long term/Short term

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

Annexure-4: Complexity level of various instruments rated

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Cash Credit	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 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 us:
Established in 1993, CARE Ratings is one of the leading credit rating agencies in India. Registered under the Securities and Exchange Board of India, it has been acknowledged as an External Credit Assessment Institution by the RBI. With an equitable position in the Indian capital market, CARE Ratings provides a wide array of credit rating services that help corporates raise capital and enable investors to make informed decisions. With an established track record of rating companies over almost three decades, CARE Ratings follows a robust and transparent rating process that leverages its domain and analytical expertise, backed by the methodologies congruent with the international best practices. CARE Ratings has played a pivotal role in developing bank debt and capital market instruments, including commercial papers, corporate bonds and debentures, and structured credit.

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