

## Dhar Construction Company

Instrument	Amount	Rating Action
Fund Based Limit – Cash Credit	Rs. 12.00 crore	[ICRA]BBB- (Stable) re-affirmed
Non-Fund Based Limit – Bank Guarantee	Rs. 28.00 crore	[ICRA]A3 re-affirmed

ICRA has re-affirmed the long-term rating of **[ICRA]BBB-** (pronounced ICRA triple B minus) assigned to the Rs. 12.00 crore cash credit facility of Dhar Construction Company (DCC / the company)<sup>†</sup>. The outlook on the long-term rating is **Stable**. ICRA has also re-affirmed the short-term rating assigned to the Rs. 28.00 crore non-fund based bank facility of DCC at **[ICRA]A3** (pronounced ICRA A three).

The re-affirmation of the ratings takes into account the firm's status as an approved Class I contractor with the Public Works Department (PWD) of Meghalaya, which enables the firm to bid for large government contracts in Meghalaya. ICRA notes its healthy unexecuted order book of around Rs. 235 crore as of October, 2015, which provides revenue visibility in the short term to medium term. However, ICRA also notes that timely execution of the orders in hand would remain a key concern, going forward. The ratings are also supported by the improvement in the capital structure, owing to capital infusion by the partners and repayment of unsecured loans along with the presence of a price escalation clause in most contracts that mitigates the vulnerability of DCC's profitability to fluctuations in raw material prices to a large extent.

The ratings are, however, constrained by the fragmented nature of the industry, coupled with a tender-based contract awarding system that keeps the margins of all players, including DCC, under check. ICRA notes the high sectoral and geographical concentration risks as DCC's operations are restricted to road and highway construction works in Meghalaya alone. Recently, however, the firm has procured a few orders for electrification projects. The ratings also take into consideration the high working capital intensity of operations, owing to stretched receivables and high inventory holding, although the same witnessed an improvement in the current fiscal over the previous one. ICRA further takes into account the risks associated with the partnership nature of the firm, including the risk of capital withdrawal by its partners.

ICRA notes that the ability of the company to scale up resources, in terms of machinery as well as manpower, for the successful execution of the current large order book, would remain a challenge.

### Entity Profile

Dhar Construction Company (DCC) was established in October, 2011, as a partnership firm. The firm is a registered Class I contractor with PWD, Meghalaya, and is also enlisted with major government departments and public sector undertakings. DCC is primarily engaged in road construction and maintenance activities, although it has recently diversified into select electrification projects. The firm operates through its registered office at Shillong, Meghalaya. Prior to October, 2011, the firm operated as a proprietorship concern, 'M/s. Ngaitlang Dhar', which apart from construction and maintenance of roads was also engaged into the business of coal mining, veneer trading and stone crushing. In October, 2011, the proprietorship firm was converted into the partnership firm—DCC. Furthermore, in November, 2012, Mr. Naigtlang Dhar retired as a partner of DCC, and Dhar Brother Construction Company Private Limited was admitted as a new partner.

\* 100 lakh = 1 crore = 10 million

† For complete rating scale and definitions please refer to ICRA's website [www.icra.in](http://www.icra.in) or other ICRA Rating Publications



### Recent Results

During the first 10 months of 2015-16, DCC posted a net profit of Rs. 4.38 crore (provisional) on an operating income of Rs. 75.83 crore (provisional). The company reported a net profit of Rs. 4.86 crore on an operating income of Rs. 90.53 crore in 2014-15.

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