

Durga Construction Company

Instrument	Amount Rated	Rating Action
Cash Credit Facility	Rs. 12.00 crore	Reaffirmed at [ICRA]BB+ (Stable)
Term Loans	Rs. 3.18 crore	Reaffirmed at [ICRA]BB+ (Stable)
Bank Guarantee	Rs. 30.00 crore	Reaffirmed at [ICRA]A4+

The long term rating of [ICRA]BB+ (pronounced ICRA double B plus) has been reaffirmed to the Rs. 15.18 crore¹ long term fund based facilities of Durga Construction Company (DCC). The short term rating of [ICRA]A4+ (pronounced as ICRA A four plus) has also been reaffirmed to the Rs. 30.00 crore short term non fund bank guarantee of DCC². The outlook on the long term rating is 'Stable'.

The re-affirmation of the ratings take into account the sizeable debt-funded capex incurred in FY2016, which led to a stretched capital structure (with gearing at 3.10 times as on 31st March 2016 vis-à-vis 1.95 times as on 31st March 2015) and likely pressure on liquidity due to execution of large projects and large debt repayments falling due in the next two years. The ratings continue to remain constrained by the regulatory risks associated with mining operations and presence of liquidated damage clauses in all contracts, making it critical to achieve the monthly mining quantities. ICRA notes the vulnerability of profitability to diesel price variations in case of actual usage being higher than the allowed levels; and the partnership nature of the firm, whereby any substantial capital withdrawals from the capital account can adversely affect the capital structure.

The ratings, however, continue to positively factor in the established track record of the firm in overburden removal and lignite mining services and moderate entry barriers for new players on account of stringent technical and financial qualification criteria. The ratings also take into account the healthy order book position (~8.43 times of FY2016 OI) consisting of contracts from reputed clientele and the moderate outlook for the coal/lignite mining sector due to the significant capacity additions proposed for thermal based power generation which translates into favourable business potential for mining service providers.

Company Profile

Durga Construction Company (DCC), established in the year 1994 by the three partners—Mr. Shamji Ladha Dholu, Mr. Shantilal Shamji Dholu and Mr. Navin Shamji Dholu (family members)—is engaged in overburden removal and lignite excavation contract works. DCC is an 'AA' class Government registered contractor and has been working as a supplier of contract mining services to its clients in the infrastructure sector in India. Earlier the firm operated as a sub-contractor for bigger companies, but over the years through experience, improvement in financial position, strong technical capabilities and quality of work, the firm is currently in a position to bid for major contracts independently.

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¹ 100 lakhs = 1 crore = 10 million

² For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.



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