



RATING RATIONALE

13 Jan 2020

B. Prabhakar Reddy & Co

Brickwork Ratings Reaffirms the ratings for the Bank Loan Facilities of ₹. 11.50 Crores of B. Prabhakar Reddy & Co

Particulars:

Facility**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (June, 2018)	Present
Fund Based Overdraft	4.50	4.50	Long Term	BWR B+ Outlook: Stable	BWR B+ Outlook: Stable (Reaffirmed)
Non-fund Based Bank Guarantee	7.00	7.00	Short Term	BWR A4	BWR A4
Total	11.50	11.50	INR Eleven Crores and Fifty Lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

** Details of Bank facilities/NCD/Bonds/Commercial Paper is provided in Annexure-I&II

RATING ACTION / OUTLOOK

BWR believes the **B. Prabhakar Reddy & Co.** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

KEY RATING DRIVERS

Brickwork rating has reaffirmed the ratings at BWR B+/ A4. The rating draws strength from the healthy financial performance of the company, established track record and experienced promoters. These strengths are partially set off by small scale of operations of the firm, below average financial risk profile and stretched liquidity position.



Credit Strengths:

Experienced Management: The promoter's family has been engaged in the civil construction industry for 25 years and thus has a vast experience in handling the business and the necessary contacts to expand the operations of the business.

Strong Order book position: The firm currently has an order book of Rs. 34 crores which is 2.45 times FY19 operational income.

Credit risks:

Financial Risk: The Operating Revenue of the firm has remained stable in FY19. The company has a comfortable gearing and debt protection metrics shown by Debt Equity Ratio of 0.50 times and ISCR and DSCR of 2.28 times and 2.13 times respectively. TOL/TNW of 0.85 times indicates adequate capital in the business.

Small Scale of Operations: B. Prabhakar's scale of operations is small, as reflected in the revenue of Rs 14 cr for 2018-19. Though the firm has been in operations since December 1981, the scale of operations has remained small due to fragmented nature of industry. Improvement in scale of operations and profitability will remain a key rating sensitivity factor over the medium term.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

BWR has essentially relied upon the audited financials of the Company upto FY19, publicly available information and information/clarifications provided by the management.

RATING SENSITIVITIES

Going forward the ability of the Company to increase its scale of operations and manage its working capital efficiently would be the key rating sensitivities.

Positive: The ratings may be upgraded if the Company manages to achieve its envisaged growth by maintaining its overall financial risk profile.



Negative: The ratings may be downgraded if there is a deterioration in the overall financial risk profile of the Company

LIQUIDITY POSITION : Stretched

B. Prabhakar Reddy & Co does not have any long term debt and the current debt primarily consists of Overdraft Facility and Bank Guarantee availed from Andhra Bank. Liquidity is marked by lower accruals compared to repayment obligations. The quick ratio of 0.82 times in FY19 indicates the constrained ability of the firm to repay its debt obligations.

COMPANY PROFILE

BPRC was set up as a proprietorship concern in 1981 by Mr. P Prabhakar Reddy in Bellary (Karnataka). The firm was reconstituted as a partnership concern on April 1, 2015 by Mr. B Sridhar and Mr. B Ramakrishna, B. Srimathi and B. Rajini . The registered office of the firm is located at Jubilee Hills, Hyderabad.

BPRC is engaged in execution of contract civil works for the construction of waterways and water reservoirs such as dams,road works, etc. mainly in Telangana and Andhra Pradesh.

KEY FINANCIAL INDICATORS (in ₹ Cr)

Key Parameters	Units	FY18	FY19
Result Type		Audited	Audited
Operating Revenue	₹ Cr	14.32	14.28
EBITDA	₹ Cr	1.4	1.68
PAT	₹ Cr	0.66	0.65
Tangible Net worth	₹ Cr	8.58	9.68
Total Debt/Tangible Net worth	Times	0.26	0.50
Current Ratio	Times	2.57	2.06

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED- NA

NON-COOPERATION WITH PREVIOUS RATING- None



RATING HISTORY

Facilities	Current Rating		Rating History		
	Tenure	Amount (₹ Cr)	Rating	2018	2017
Overdraft	Long Term	4.50	BWR B+ Outlook: Stable (Reaffirmed)	BWR B+ Outlook: Stable	Not Rated
Bank Guarantee	Short Term	7.00	BWR A4	BWR A4	
Total		11.50	INR Eleven Crores and Fifty Lakhs Only		

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

[General Criteria](#)

[Approach to Financial Ratios](#)

[Service Sector](#)

Analytical Contacts	Investor and Media Relations
<p>Shivangi Gupta Ratings Analyst B :+91 80 4040 9940 Ext :347 shivangi.g@brickworkratings.com</p> <p>K S Nagaraj Associate Director - Ratings B :+91 80 4040 9940 nagaraj.ks@brickworkratings.com</p>	<p>Liena Thakur Assistant Vice President - Corporate Communications +91 84339 94686 liena.t@brickworkratings.com</p>



B. Prabhakar Reddy & Co

ANNEXURE I

Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term {(₹ Cr)}	Short Term (₹ Cr)	Total (₹ Cr)
	Andhra Bank	Overdraft	4.50		4.50
1		Bank Guarantee		7.00	7.00
TOTAL					11.50

Total Rupees Twenty Crores only.

For print and digital media

The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

About Brickwork Ratings: Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter and strategic partner. BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

DISCLAIMER

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reason.