



## Rating Rationale

Ch Chowdarayya

27 Apr 2018

**Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹ 6.00 Crores of Ch Chowdarayya, Kakinada, Andhra Pradesh**

### Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund Based	6.00	Long Term	<b>BWR BB-</b> <b>(Pronounced as BWR Double B Minus)</b> <b>(Outlook: Stable)</b>
<b>Total</b>	<b>6.00</b>	<b>INR Six Crores Only</b>	

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings  
Note: Details of Bank wise facility is as per Annexure I

### Rating : Assigned

#### Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon audited financial results up to FY17 of Ch Chowdarayya ( or 'the firm'), publicly available information and information/clarifications provided by the firms' management.

The rating derives strength from proprietor's experience in transport logistics industry, established and maintained relationship with his customers esp. the schools and colleges, comfortable interest service coverage and adequate liquidity position. However, the rating is constrained by decrease in profit margins, high gearing level and inherent weakness of proprietorship concern in terms of finance and decision making.

Going forward, the firm's ability to improve on its profitability in proportion to the increasing scale of operations in a competitive industry shall be challenging, and continuing to manage the working capital efficiently will be the key rating sensitivities.



## Description of Key Rating Drivers

- **Credit Strengths:**

- The proprietors has total experience in the rental business for the past 15 years.
- The firm started with renting its own godowns in Andhra Pradesh, however contributes marginally to the revenues, while Major contribution to revenues is from rental services of buses to educational institutions
- For the past 4 years, the proprietorship concern is engaged in rental services of buses to educational institutions in Andhra Pradesh and thereby maintained this clientele.
- Comfortable coverage ratio indicated by interest service coverage ratio of 2.77 times and adequate liquidity indicated by current ratio of 1.33 times in FY17

- **Credit Risks:**

- High Gearing level, however total debt comprises of unsecured loans from friends and relatives of Rs. 3.65 Crs. The Net Worth of the firm is Rs. 5.94 Crs in FY17
- Inherent weakness of proprietorship concern in terms of finance and decision making.
- Decrease in operating profit margin to 15.02% and net profit margin to 3.40% in FY17 against operating profit margin of 19.27% and net profit margin of 3.68% in FY16.

## Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

## Rating Outlook: Stable

BWR believes the **Ch Chowdarayya** 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.



### About the Proprietorship Concern

Mr. Chikkala Chowdarayya started business as Proprietorship Concern in the year 2004 in Kakinada, Andhra Pradesh. The proprietorship concern started with renting of his godowns in 2004 is since past 4 years majorly engaged in rental services of buses to educational institutions in Andhra Pradesh. At present the proprietor has 1500 buses. Out of 1500 buses 1300 buses are 37 seater capacity buses and remaining are 12 seater , 41 seater and 51 seater buses. The proprietor gives buses on rental basis to Narayana Educational Society and Sri Chaitanya Techno Schools in Andhra Pradesh and collects rent from them on monthly basis. The proprietor also has 6 godowns in Kakinada and gives them to FCI on rental basis.

### Financial Performance

As per audited financials of FY17, the firm has reported total revenue of ₹ 64.08 Crs as compared to ₹ 57.35 Crs in FY16 . Operating profit margin of the firm is at 15.02 % and net profit margin of 3.40 % in FY17. The firm has net worth of ₹ 5.94 Crs in FY17. Debt Equity ratio of the Firm stood at 5.85 times in FY17. The debt majorly comprises of working capital loans of Rs.6 Cr and term loans for the vehicles. It has unsecured loans amounting to Rs.3.65 Cr. The firm has moderate debt and interest protection metrics. The Bank has informed of satisfactory and standard conduct of account.

### Rating History for the last three years

Facility	Current Rating (2018)			Rating History		
	Type	Amount (₹ Crs)	Rating	2017	2016	2015
<b>Fund Based</b>	Long Term	6.00	<b>BWR BB-</b> (Pronounced as BWR Double B Minus) <b>Outlook: Stable</b>	<b>Not Rated</b>		
<b>Total</b>		<b>6.00</b>	<b>INR Six Crores Only</b>			

### Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Service Sector](#)

For any other criteria obtain hyperlinks from website

### **Key Financial Indicators**

Key Parameters	Units	2016	2017
Result Type		Audited	Audited
Operating Revenue	₹ Cr	57.35	64.08
EBITDA	₹ Cr	11.05	9.68
PAT	₹ Cr	2.11	2.18
Tangible Net worth	₹ Cr	4.65	5.94
Total Debt/Tangible Net worth	Times	7.51	5.85
Current Ratio	Times	2.00	1.38

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### **Annexure I** **Bank wise facility**

Bank	Facility	Tenor	Amount ₹ Cr
<b>Syndicate Bank, Kakinada</b>	<b>Cash credit</b>	<b>Long term</b>	<b>6.00</b>
<b>INR Six Crores Only</b>			<b>6.00</b>

#### **For print and digital media**

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#### **Note on complexity levels of the rated instrument:**

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).



### **About Brickwork Ratings**

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been 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 Nationalized 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, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 10,00,000 Cr. In addition, BWR has rated over 6300 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹24,440 Cr have been rated.

### **DISCLAIMER**

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