



RATING RATIONALE

17 July 2020

DMR Builders Pvt Ltd.

Brickwork Ratings reaffirm ratings for the Bank Loan Facilities of ₹ 43.50 Crs. of DMR Builders Pvt Ltd.

Particulars:

Facility**	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Mar, 2020)	Present
Fund based	19.50	29.50	Long Term	BWR BB Stable Issuer Not Cooperating*	BWR BB Stable Reaffirmed
Non Fund Based	25.00	14.00	Short Term	BWR A4 Issuer Not Cooperating*	BWR A4 Reaffirmed
Total	44.50	43.50	INR Forty Three Crores and Fifty Lakhs Only		

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

** Details of Bank facilities is provided in Annexure-I

RATING ACTION/Outlook

BWR has essentially relied upon audited financial results of DMR Builders Pvt Ltd. upto FY19 & projection up to FY22, publicly available information or clarification/information provided by the Company.

The rating assigned to the bank facilities of DMR Builders Pvt Ltd. factors the experience of the promoters with an established track record of the company in the construction sector and current order book position.

The ratings are however, constrained on account of the company's relatively small scale of operations, declining operating income and profitability, high working capital intensity inherent in the EPC business due to the long execution period of projects; the long credit periods offered to customers and the retention money requirement that is released when the orders are completed, presence in the highly fragmented industry characterized by presence of both organised and unorganised players resulting in a stiff competition and the susceptibility to volatility in prices. The company's profit margins have remained low on account of the intensely competitive nature of business & company is also exposed to project execution risk.



The outlook is stable as the company has orders of Rs.162 crs. on hand which provide revenue visibility in the medium term.

KEY RATING DRIVERS

Credit Strengths:

Established track record of the company with experienced management: DMR Builders Pvt Ltd was incorporated in the year 2000. The promoters have around two decades of experience in executing turnkey projects in the EPC industry. The company has executed various projects for government as well as private sector clients. The experience of the promoters has helped the company in procuring the contracts.

Healthy order book position provides near-to-medium term revenue visibility-Company had a comfortable order book position amounting to Rs.162.02 Crs for FY 20 & 21 indicating revenue visibility in the medium term with the projects awarded.

Credit Risks:

Small Scale of operations & declining operating margin: The Company has relatively low scale of operations as indicated by revenue of Rs 37.18 Crs in FY19 as compared to Rs 62.45 Crs in FY18 limiting economies of scale. However, the company revenue is supported by an order backlog of Rs 162.02 Crs providing some comfort for revenue growth in the near term. The net profit margin has declined to 0.91% in FY19 from 1.20% in FY18.

Deterioration in financial risk profile- The gearing ratio was moderate at 1.86 time as on March 31, 2019. The debt coverage indicators of the Company deteriorated with Interest coverage at 1.21x as on March 31, 2019 as compared to 1.55x in FY18.

Geographical concentration- Geographical concentration in revenue as the Company is a regional player and undertakes projects mainly in Punjab, resulting in high dependence on local tenders.

High working capital intensity in the EPC business - The company's working capital intensity remains high due to the long execution period of the transmission & distribution projects, long credit periods offered to customers, and the retention money requirement that is released with linkage to completion of orders. As a result, Gross current assets were high at 325 days as on March 31, 2019 (151 days in FY18) due to receivables of around 73 days & inventory days remained high in the range of 252 days. Working capital requirement is primarily comprises of funding requirement for retention money, margin money towards various contracts and for non-fund-based facilities, resulting in a high working capital utilisation.

Intense competition in EPC business-The Company faces stiff competition from other players in the EPC construction segment industry, which limits its pricing flexibility, thereby putting pressure on its revenues and margins.



ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

BWR has factored into a standalone business and financial risk profile of the Company along with the business DMR Builders Pvt Ltd to arrive at the rating as they are engaged in a similar line of business. Reference may be made to the Rating Criteria hyperlinked below.

RATING SENSITIVITIES

Going forward the ability of the Company to scale up its operations with improvement in profitability would be the key rating sensitivity.

Positive: Significant and sustained increase in the scale of operations & profit along with an improvement in the overall credit metrics and better liquidity management & improvement in capital structure will be positive for the ratings.

Negative: The rating will be downgraded in case of a significant downturn in the revenues leading to a decline in operational/financial performance of the company.

LIQUIDITY POSITION- (Stretched)

Fund based limit utilisation is around 65%. The conversion cycle has deteriorated from 114 days in FY18 to 283 days in FY19 creating stress on the liquidity.

COMPANY PROFILE

DMR Builders Private Limited was incorporated in 2000 and based out of Bathinda in Punjab. DMR is promoted by Mr. Darshan Kumar Garg, Mr. Rajinder Singh, and Mr. Dharampal Goyal. The company is a civil contractor that undertakes civil construction activities, including construction of buildings, bridges, and roads in Punjab. DMR has executed various works, like Building work, Road work, Real Estate, with departments like Punjab Urban Development Authority, Bathinda Development Authority, National Project Construction Corporation, Public Works Department etc.

KEY FINANCIAL INDICATORS (in ₹ Cr)

Key Parameters	Units	2018	2019
Result Type		Audited	Audited
Operating Revenue	₹ Cr	62.45	37.18
OPBDIT	₹ Cr	5.22	4.17
PAT	₹ Cr	0.75	0.34
Tangible Net worth	₹ Cr	16.46	16.79
Total Debt/Tangible Net worth	Times	1.87	1.86
Current Ratio	Times	1.35	1.44

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: NA

NON-COOPERATION WITH PREVIOUS RATING AGENCY: CRISIL BB/A4+Stable (Issuer Not Cooperating; Migrated from 'CRISIL BB/Stable'; Rating Withdrawn) on 23 April 2018

RATING HISTORY FOR THE PREVIOUS THREE YEARS [including withdrawal and suspended]

S.No	Facility	Current Rating (2020)			(Rs. Crores)									
		Type	Amount (₹ Cr)	Rating^	31 Mar 2020		12-Feb-2019		2018	26-Dec-2017				
1	Fund Based	Long Term	29.50	BWR BB Stable Reaffirmed	FB	19.50	BWR BB Downgrade Issuer Not Cooperating*	FB	19.50	BWR BB+ Stable reaffirmed	-	FB	19.50	BWR BB+ Stable
2	Non Fund Based	Short Term	14.00	BWR A4 Reaffirmed	N FB	25.00	WR A4 Downgrade Issuer Not Cooperating*	NF B	25.00	BWR A4+ reaffirmed	-	N FB	25.00	BWR A4+
Total			43.50	₹ Forty Three Crores & 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](#)
- [Services Sector](#)
- [Short Term Debt](#)

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DMR Builders Pvt Ltd.
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)
1	Punjab National Bank	Cash credit	27.50	-	27.50
		Bank Guarantee	-	11.50	11.50
2	Hdfc Bank	Cash credit	2.00	-	2.00
		Bank Guarantee	-	2.50	2.50
TOTAL					43.50



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