

**D.R. Buildestate Pvt. Ltd.**

**Brickwork Ratings reaffirms the long term rating and short term rating for the Bank Loan Facilities of Rs. 22.00 Crores of D.R. Buildestate Pvt. Ltd**

**PARTICULARS**

Facility**	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Dec, 2019)	Present
<b>Fund based</b>	1.50	<b>2.50</b>	<b>Long Term</b>	BWR BB+ Stable (Reaffirmed)	<b>BWR BB+ Stable (Reaffirmed)</b>
<b>Non Fund Based</b>	20.00	<b>19.50</b>	<b>Short Term</b>	BWR A4+ Reaffirmed	<b>BBWR A4+ Reaffirmed</b>
<b>Total</b>	21.50	<b>22.00</b>	<b>INR Twenty Two crores Only</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings.

\*\*Complete details of Bank facilities is provided in Annexure-I & II

**RATINGS: Reaffirmed**

**RATING ACTION / OUTLOOK**

The Rating Outlook is Stable because BWR expects that ‘D.R.Buildestate Pvt Ltd’ financial 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 COVENANTS OF THE INSTRUMENT/FACILITY RATED- NA**

**KEY RATING DIVERS:**

BWR has primarily relied upon the audited financials up-to FY20, provisional financials up-to December, 2020 and projected financials up-to FY21, publicly available information and the information/clarifications provided by the management.

The rating has factored in the strength from the qualification and experience of the promoters, reputed clientele and above average financial risk profile. However, the ratings are constrained by decreasing profitability margins, supplier concentration risk, intense competition from other players and inherent risk in the tender based business.

## DESCRIPTION OF KEY RATING DRIVERS

- **Qualification and experience of the promoters:** The Company is promoted by Mr. Devendra Kumar and Ms. Rajni Singh who are qualified and carry ample experience through which the company reaps the benefit of getting it established in the market and winning civil contracts. Mr. Devendra Kumar, who is a civil engineer by profession carries experience of more than two decades in the field of undertaking civil contracts.
- **Reputed Clientele:** The Company has been in operation since 2004 and has an established track record with demonstrated capabilities in the road construction and infrastructure sector. The current clientele includes the Public Works Department (PWD) and Uttar Pradesh Avas Evam Vikas Parishad. Repeat orders from these Government departments reflect the companies satisfactory execution capability.
- **Above average Financial risk Profile:** As per audited financials for FY20, the overall financial risk profile of the company is comfortable as indicated by gearing, and debt coverage indicators. Tangible net worth has improved due to retention of profit in FY19 and FY20. The gearing ratio is comfortable at 0.35x in FY20. The current ratio is stable at 1.65x in FY20. The debt protection metrics are comfortable as ISCR & DSCR stood at 2.98x & 4.82x in FY20. The company has achieved revenue of Rs. 68.13crs till date and BWR expects that the company will achieve the projected figures of Rs.85.92 crs approximately in FY21, going by the last 3 months' revenue trend.

## Risk Factors:

- **Decreasing Profitability Margins:** The profitability margins have declined as operating profit margin declined to 3.50% in FY20 from 4.22% in FY 19 and net profit margin to 4.34% in FY20 from 4.79%in FY19. But the profitability margins will increase in medium term as the revenue has picked up in the current financial year despite the COVID impact.
- **Supplier Concentration Risk:** The Company has one major supplier with 53% supplies and any change in the policy of the supplier may hamper the business operations of the company, thus exposing the company to Supplier Concentration Risk.
- **Intense competition from other players:** Unlike other businesses, the company faces stiff competition from other civil contractors as there are a lot of intricacies involved in winning the tenders and the contractors who have local influence have an edge over others so the company's scalability and profitability is vulnerable to high level of competition.
- **Inherent risk in the tender-based business:** The company operates in a tender-based business so there is an inherent risk of winning no tenders from government authorities thus having an impact on the scalability and profitability of the company.

## ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

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 SENSITIVITIES

Going forward, the ability of the company to further increase its scale of operations by improving its revenue, profitability margins and financial risk profile, as usual maintaining its debt obligations and efficiently managing its working capital will be the key rating sensitivities.

**Positive:** The ratings may be upgraded if revenue, profitability, liquidity, gearing and overall credit profile show substantial improvement.

**Negative:** The rating may be downgraded in case there is a significant deterioration in business and financial risk profile of the company from its current level.

## LIQUIDITY POSITION: Adequate

Cash and cash equivalents are Rs. 9.62 Cr for FY20. The current ratio of the firm is maintained at 1.65 times and the gearing ratio of the firm is also moderate at 0.35 times as per FY20. The net profit margin and operating Profit Margin for FY 20 are moderate at 4.34% and 3.50% respectively for FY20. The CPLTD for FY20 is Rs.2.60 crs against net cash accruals for FY21 projected of Rs.4.48 crs. As per the Banker's Feedback, the average cash credit utilization is around 90%.

Considering the above-mentioned points, the liquidity position of the company is considered adequate.

## COMPANY PROFILE

Incorporated in 2004, D.R Buildestate is a closely held private limited company with a registered office in Delhi and a corporate office in Noida. The company is promoted by Mr. Devendra Kumar and Ms. Rajni Singh and is engaged into the business of undertaking civil contracts for the construction of buildings, highways and roads in the state of Uttar Pradesh and Madhya Pradesh.

## KEY FINANCIAL INDICATORS (in ₹ Cr)

Key Parameters	Units	2020	2019
Result Type		Audited	Audited
Operating Revenue	In Crores	*58.04	94.29
EBITDA	In Crores	2.03	3.98
PAT	In Crores	2.52	4.52
Tangible Net worth	In Crores	18.61	16.09
Total Debt/Tangible Net worth	In Times	0.35	0.16
Current Ratio	In Times	1.65	1.43

**\*The revenues have picked up in the current financial year**

## NON-COOPERATION WITH PREVIOUS RATING-CRISIL B+/A4+ on 21 Jan 2020



**RATING HISTORY for last three years (including withdrawn/suspended ratings)**

Instrument /Facility	Current Rating			Rating History		
	Type	Amount (Rs. Cr)	Rating	2020	4 Dec 2019	20 May 2019
Fund Based	Long term	2.50	BWR BB+ Stable Reaffirmed	---	BWR BB+ Stable Reaffirmed	BWR BB+ Stable Assigned
Non Fund Based	Short Term	19.50	BWR A4+ Reaffirmed	---	BWR A4+ Reaffirmed	BWR A4+ Assigned
<b>Total</b>		<b>22.00</b>	<b>INR Twenty Two Crores Only</b>			

**COMPLEXITY LEVELS OF THE INSTRUMENTS**

For more information, visit [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf)

**Hyperlink/Reference to applicable Criteria**

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website

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**D.R. Buildestate Pvt. Ltd.**

**ANNEXURE I**

**Details of Bank Facilities rated by BWR**

<b>Type of Facilities</b>	<b>Long Term [Rs Cr]</b>	<b>Short Term [Rs Cr]</b>	<b>Total [Rs Cr]</b>
<b>Fund Based Overdraft(OD)</b>	<b>2.50</b>	<b>--</b>	<b>2.50</b>
<b>Non Fund Based Bank Guarantee</b>	<b>---</b>	<b>19.50</b>	<b>19.50</b>
<b>TOTAL</b>			<b>22.00</b>

**Total Rupees Twenty Two Crores Only**

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