Rating Rationale

Dara Construction Company

13Mar2018

Brickwork Ratings assigns/reaffirms the ratings for the Bank Loan Facilities of ₹. 67.00 Crores of Dara Construction Company

Particulars:

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (May 2017)	Present
Fund based Cash Credit Limit Working Capital Demand Loan	0.00 0.00	9.00 (3.00)#	Long Term	**Not Applicable**	**BWR BB+ (Pronounced as BWR Double B Plus) Outlook: Stable**
Non Fund Based Inland Letter of Credit Bank Guarantee Letter of Credit	0.00 6.00 (0.00)	40.00 18.00 (6.13)^	Short Term	**BWR A4+ (Pronounced as BWR A Four Plus)**	**BWR A4+ (Pronounced as BWR A Four Plus) (Reaffirmed)**
Total	**6.00**	**67.00**	**INR Sixty Seven Crores Only**		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
Working capital demand loan is a sub limit of Cash credit limit.
^Letter of Credit is a sub limit of Bank Guarantee.

Long term rating assigned and Short term ratings reaffirmed.

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the Audited Financial results up to FY17, Provisional Financials upto 10MFY18, Projected Financials upto FY19 and Publicly available information /clarifications provided by the Firm's management.

The rating takes into account the extensive experience of the proprietor as a contractor of water supply projects of Rajasthan Government, established track record and timely execution & completion of contracts in past, healthy order book and increasing revenues trends. However, the rating is constrained by low profit margins, inherent risks being a proprietorship firm, the intense

competition from players in the unorganized sector and the susceptibility of earnings to the 'Tender' based nature of business.

Description of Key Rating Drivers

Credit Strengths:

- The promoter is well experienced in the business with strong network in Rajasthan State.
- The revenue has been increased from Rs. 103.88 Crs in FY16 to Rs. 136.52 Crs in FY17.
- Total work order worth Rs. 553.23 Crs, affording visibility to achieve the estimated revenues for the next three years.
- Established track record and timely execution & completion of contracts in past.
- Increasing Revenues and Profitability backed by moderate financial risk profile.
- Involved in Water supply projects, a thrust area for the State Govt.

Credit Risks:

- Collection relies upon on Firm's ability of timely execution of projects.
- Profitability susceptible to 'Tender Based' nature of business.
- Profit margins are decreased in FY17 in compare to previous year.
- High dependency on man power.
- Inherent risks related to a proprietary unit.
- Susceptibility of delayed receivables from the customers.

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 **Dara Construction 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.

About the Firm

Dara Construction Company is a proprietary firm of Mr. Pappu Ram Vishnoi, established in the year 2000. The firm is engaged in execution of water Supply Projects and civil construction works with a focus on laying of water pipelines. The registered office of Firm is at Jodhpur, Rajasthan. The firm is registered as an 'AA' class contractor with PHED (The Public Health Engineering Department); Rajasthan & as an 'A' class contractor with MES (The Military Engineer Services), Rajasthan. The firm has a work experience across Rajasthan, Madhya Pradesh, Telangana and Gujarat.

Financial Performance

The Firm has reported net sales of Rs. 136.52 Crs with a net profit of Rs. 3.55 Crs compared to sales of Rs. 103.88 Crs and a PAT of Rs. 5.21 Crs in FY16. As per the provisional financials, the firm has achieved the sales of Rs. 128.69 Crs till 31st Jan.2018. Tangible net worth is Rs. 33.65 Crs as on 31st March, 2017.

As per the information provided by management, the firm has work orders for worth Rs.553.23 Crs as on 31st Jan, 2018.

Rating History for the last three years

S. No	Instrument /Facility	Current Rating (2018)			Rating History		
		Type	Amount (₹ Crs)	Rating	**9-May-2017**	**2016**	**2015**
1 **2**	**Fund based** Cash Credit Limit WCDL	Long Term	9.00 (3.00)#	BWR BB+ (Pronounced as BWR Double B Plus) Outlook: Stable	Not Applicable	Not Rated	Not Rated
3 **4** **5**	**Non Fund Based** Inland Letter of Credit Bank Guarantee Letter of Credit	Short Term	40.00 18.00 (6.13)^	BWR A4+ (Pronounced as BWR A Four Plus) (Reaffirmed)	BWR A4+ (Pronounced as BWR A Four Plus) (Reaffirmed)	Not Rated	Not Rated
	Total		**67.00**	**₹ Sixty Seven Crores Only**			

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Working capital demand loan is a sub limit of Cash credit limit.
^Letter of Credit is a sub limit of Bank Guarantee.

Key Financial Indicators

Key Parameters	Units	2017	2016
Result Type		**Audited**	**Audited**
Operating Revenue	Rs. in Crs	136.52	103.88
EBITDA	Rs. in Crs	5.28	4.24
PAT	Rs. in Crs	3.55	5.21
Tangible Net worth	Rs. in Crs	33.65	33.12
Total Debt/Tangible Net worth	Times	0.61	0.25
Current Ratio	Times	1.29	1.61

Hyperlink/Reference to applicable Criteria

- **General Criteria**
- **Approach to Financial Ratios**
- **Infrastructure Sector**
- **Short Term Debt**

For any other criteria obtain hyperlinks from website

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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 Investors queries can be sent to 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

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 reasons.