

Rating Rationale

Brickwork Ratings assigns 'BWR B+' (Outlook: Stable) & 'BWR A4' for the Bank Loan facilities aggregating to ₹ 13.00 Cr of G D Thimmappa Sheregar

Brickwork Ratings (BWR) has assigned **Rating¹** for the Bank Loan facilities amounting to **₹13.00 Cr** of **G D Thimmappa Sheregar** ('GDTS' or 'the Firm') availed from State Bank of Mysore as follows:

| Facilities | Amount (₹ Cr) | Tenure | Rating |
|-----------------------|------------------|---------------------------------|---|
| Fund Based | | Long Term | BWR B+ (Pronounced as BWR B Plus) (Outlook: Stable) |
| Overdraft | 3.00 | | |
| Non Fund Based | | Short Term | BWR A4 (Pronounced as BWR A Four) |
| Bank Guarantee | 10.00 | | |
| Total | 13.00 | INR Thirteen Crores Only | |

Note: Along with above mentioned credit facilities, firm also has Stand by Line of Credit of Rs. 0.45 Cr from the same bank.

BWR has essentially relied upon the audited financial results of FY14, FY15, FY16 and projections of FY17 and FY18 of the firm - G D Thimmappa Sheregar, publicly available information and information/clarifications provided by the Firm's management.

The rating factors in the partners' experience in civil construction business, growth in firm's revenue in FY16 and established relationship with government departments. The rating, however, is constrained by small scale of operations of the firm, low net-worth, risk related to tender based operations and exposure to sectoral concentration as majority of revenues are from road contracts.

Background:

G D Thimmappa Sheregar located in Kundapur, district: Udupi, Karnataka, is a partnership firm. It is engaged in the business of civil construction & Public Works Department (PWD) works contract and primarily does construction of roads and minor bridges. Shri G D Thimmappa Sheregar was constituted as a partnership firm in the year 2011 by inducting his family members. Prior to that, the business was carried out under proprietary concern of Shri G D Thimmappa Sheregar. The firm's clientele comprises of government entities like PWD and the areas of operations mainly limited to Karnataka state. The firm over the years has executed several projects as a prime contractor.

The partners of the firm are Shri G D Thimmappa Sheregar, Shri B Ramakrishna Sheregar, Shri G D Nagendra, Shri G D Raghavendra and Shri B Vivekananda. Shri G D Thimmappa Sheregar has around five decades of experience in the business. Shri B Ramakrishna Sheregar is the managing partner of the firm and has more than three decades of experience.

¹ Please refer to BWR website www.brickworkratings.com for definition of the ratings assigned

Financial Performance:

The revenue of the firm have grown from ₹ 22.69 Cr in FY15 to ₹ 30.28 Cr in FY16. The profit margins have marginally declined with operating profit margins from 7.65% in FY15 to 7.18% in FY16 and the net profit margins from 3.99% in FY15 to 3.77% in FY16. The firm has a current order book position of ₹38.90 Cr.

Tangible net-worth has increased from ₹ 2.37 Cr in FY15 to ₹ 3.71 Cr in FY16 due to retention of profit. Debt equity has improved from 2.99 times in FY15 to 1.19 times in FY16 as debt has reduced for FY16. The current ratio of the firm was 1.69 times in FY15 and is 1.50 times in FY16. The Bankers have informed that the account is standard and conduct of account is satisfactory.

Rating Outlook:

The rating outlook is expected to be stable over the next one year. Going forward, increasing the order book position and effectively executing the same to improve on the revenues and profit margins, maintain the networth for healthy gearing and managing its working capital requirements efficiently would remain the key rating sensitivities.

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