Rating Rationale

Brickwork Ratings assigns 'BWR B+' & 'BWR A4' for Bank Loan facilities aggregating to ₹ 9.75 Cr of M/s Narra Constructions Pvt Ltd.

Brickwork Ratings has assigned following **Ratings**[1] for Bank Loan facilities of M/s Narra Constructions Pvt. Ltd. *('NCPL' or 'The Company')*

Facility	Limits (₹ Crs)	Tenure	Rating
Fund Based Cash Credit	**6.00**	**Long Term**	**BWR B+** BWR Single B Plus **Outlook: Stable**
Non Fund Based Bank Guarantee	**3.75**	**Short Term**	**BWR A4** BWR A Four
Total	**9.75**	**INR Nine Crores and Seventy Five Lakhs Only**	

BWR has principally relied upon the audited financials up to FY15, uncertified and unauthenticated H1FY16 financial results, projected financials up to FY17, publicly available information and information and clarifications provided by the Company's management

The ratings assigned derives its strengths from experienced promoters, absence of long term borrowings, healthy order book position and improved profitability margins. However, the ratings are constrained by high gearing level due to low capital base, stretched liquidity position, tender nature of business and intense competition in the industry.

Background:

M/s Narra Constructions Private Limited incorporated in the year 2011 and located at Hyderabad. Company is engaged in civil constructions especially in the segment of residential and commercial buildings. Company operates in Andhra Pradesh and Telangana States. Company deals with Government sector and orders are procured through tenders.

Mr. N Srinivas and Mrs. N Anita are directors of the Company and held 100% share together. Both the directors have vast experience in the line of business.

Currently, the Company is executing 5 orders located at various places of Andhra Pradesh and Telangana and have orders worth of ₹ 69.96 crores for H2FY16 and FY17.

[1] ***Please refer to www.brickworkratings.com for definition of the Ratings***

Financial Performance:

Based on FY15 audited financials, Revenues of the company reported at ₹ 6.10 crores. Operating and net profit margin reported at 23.88% & 5.21% in FY15 against 18.64% & 5.15% in FY14. Tangible net-worth of the company stood at ₹ 1.06Crores and debt equity reported at high level due to working capital borrowings. Company has absence of long term borrowings. Interest service coverage ratio reported at acceptable level. Liquidity position continued to be at stretched level in FY15. Working capital cycle reported at 122 days in FY15. As per uncertified and unauthenticated H1FY16 results, company has reported a turnover of ₹ 10.71 crores.

Rating Outlook:

The outlook of the company for the next one year is expected to be stable. Going forward, ability of the company to achieve the projected turnover while sustaining the profitability margins, timely completion of the projects without any cost overrun, to bring down the gearing level by improving its capital base and to manage its working capital cycle effectively will remain key rating sensitivities.

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