Rating Rationale

PLR-HC-RBR (JV) **4 Jan 2019**

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹ 6.25 Crores of PLR-HC-RBR (JV).

Particulars

Facility	Limits Rated (₹ Crs)	Tenure	Rating*
Non Fund Based: **Bank Guarantee**	**6.25**	**Short Term**	**BWR A4** (Pronounced as BWR A Four)
Total Amount	**6.25**	**INR Six Crores and Twenty Five Lakhs Only**	

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

BWR has essentially relied upon the firms' estimates for FY19, projected financials for FY20 & FY21, publicly available information and information/clarifications provided by the management.

Rationale/Description of Key Rating Drivers/Rating sensitivities:

The rating has inter-alia, factored experience of the promoters in Civil Construction industry for more a decade, tender based government projects, existing work on hand, ability to meet its debt obligations and to meet competition from many small & medium civil construction units in the region. However, the ratings are constrained by infant stage of the project, delays inherent with government based projects and intensive working capital requirement nature of business.
Going forward ability of the firm to execute & complete the project within the scheduled timeline, to achieve its revenue & profitability levels, to maintain its gearing & liquidity position and to manage its working capital efficiently will be the key rating sensitivities.

Description of Key Rating Drivers

- **Credit Strengths:**

Management Experience: Promoters of the firm have been in the industry of Civil construction in the region of Vijayawada, Jharkhand region for more than a decade

Existing work on hand: M/s. PLR-HC-RBR, is a joint venture project established for executing the Central Railway project involving earthwork in embankment, cutting, construction of drains, minor bridges, RUB, retaining walls from Ch 40700 m to 78177 m of Wardha - Nanded Line Project valued at Rs. 124.95 Crs

Liquidity position of the firm: Presently, the liquidity position of the firm has been comfortable with estimated Current ratio for FY19 at 1.82 times

Gearing ratio of the firm: Presently, the firm does not have any long term obligations. Hence, the estimated Debt Equity ratio of the firm was comfortable at 0.05 times

- **Credit Risks:**

Infant Stage of the project: M/s. PLR-HC-RBR was established during June 2018 for the execution of civil construction work for the Central Railways, as reported by the management the work has commenced and approximately 10 percent of the project work has been completed. As per the management, the tentative timeline to complete the project is estimated for May 2020

Tender based government projects: Work order project taken up relates to government department that are inherent to the risk of delays relating to sanctions, approvals, etc

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).

About the Firm

M/s. PLR-HC-RBR was established as a Joint Venture(JV) firm under a Joint Venture Agreement signed on 28th June 2018 at Hyderabad and was registered under the Office of the Joint Sub-Registrar on 19th July 2018. The management of the Joint venture comprises of three partners namely, M/s. PLR Projects P Ltd, a private limited company, is the Lead Member to the Joint Venture project; M/s. Harshitha Constructions, a partnership firm, Partner and M/s. RBR being proprietorship firm, is the authorised partner. All the partners have experience of more than a decade in the civil construction industry. M/s. PLR-HC-RBR (JV) was established for executing the Central Railway project involving earthwork in embankment, cutting, construction of drains, minor bridges, RUB, retaining walls from Ch 40700 m to 78177 m of Wardha - Nanded Line Project valued at Rs. 124.95 Crs (approximately). The raw materials supplied for the purpose the project includes, Cement, Steel, Sand and Murram. The management presently has employed 8 nos of permanent employees and 40 nos of temporary employees to carry out its activities. Currently, it has has procured various equipments like, Excavators 8 nos, Tippers 24 nos, Rollers 2 nos. As reported by the management, the project work was commenced in the month of October 2018 and approximately 10% of the work has been completed till date. The tentative timeline for the completion of the project has been estimated for May 2020.

Management of the Firm:

The management of the Joint venture comprises of three partners namely, M/s. PLR Projects P Ltd, a private limited company located at Hyderabad, Telangana which is being represented by Mr. Chandrashekar Reddy, General Manager. It is also the Lead Member to the Joint Venture project; M/s. Harshitha Constructions, a partnership firm located at Kadapa District, Andhra Pradesh which is being represented by Mr. M Sreenivasulu, Partner and M/s. RBR being proprietorship firm established by Sri Ramireddy Bharath Reddy, at Hyderabad, Telangana. Mr. R Bharath Reddy is the authorised partner to the JV to deal with tender, to sign the agreement or enter into contract in respect of the tender, to receive payment, witness the work done, etc.

Firm's Financial Performance

As reported by the management, it has commenced the proposed project work during October 2018 and approximately 10 percent of the estimated work has been completed. As per the projected financials shared by the management, it estimates to generate operating revenue for FY19 of Rs. 41.24 crs. While, the estimated PAT for the year was at Rs. 1.92 crs. Estimated Debt Equity of the firm for FY19 was at 0.05 times. Profit margin over the projected years remains stagnant at 4.6 percent. Liquidity position has been comfortable for FY19 at 1.82 times.

Key Financial Indicators

Key Parameters	Units	2019 (E)	2020 (P)
Operating Revenue	₹ Cr	41.24	57.66
EBITDA	₹ Cr	2.84	4.19
PAT	₹ Cr	1.92	2.70
Tangible Net worth	₹ Cr	2.30	5.00
Total Debt/Tangible Net worth	Times	0.05	0.02
Current Ratio	Times	1.82	2.01

Rating History for the last three years

S.No	Facility	Current Rating (2019)			Rating History		
		Type	Amount (₹ Crs)	Rating	FY18	FY17	FY16
1	**Non Fund Based:** **Bank Guarantee**	Short term	6.25	**BWR A4**	-	-	-
	Total Amount		**6.25**	**₹ Six Crores and Twenty Five Lakhs Only**			

Hyperlink/Reference to applicable Criteria

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

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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
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