



Rating Rationale

13 Aug 2020

R Vidya Sagar Rao

Brickwork Ratings upgrades the rating, with a stable outlook, for the Bank Loan facilities aggregating of Rs. 18.00 Crores of R Vidya Sagar Rao (RVSR or 'the firm').

Particulars

Facility	Amount (Rs Crs)		Tenure	Rating*	
	Previous	Present		Previous (22.07.2019)	Present
Fund based					
Cash Credit	6.00	6.00	Long Term	BWR BB (Stable) (Upgrade)	BWR BB+ (Stable) (Upgrade)
Proposed Cash Credit	-	2.00			
Non Fund Based					
Bank Guarantee (BG)	4.00	4.00	Short Term	BWR A4 (Reaffirm)	BWR A4+ (Upgrade)
Proposed additional BG	5.00	6.00			
Total	15.00	18.00	INR Eighteen Crores Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
Complete details of Bank facilities is provided in Annexure-I

RATING ACTION / OUTLOOK

Brickwork Ratings upgraded the rating as BWR BB+(Stable)/A4+ for the Bank Loan Facilities of Rs 18.00 crores of R Vidya Sagar Rao. BWR believes that R Vidya Sagar Rao 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 figure.

KEY RATING DRIVERS

BWR has essentially relied upon the audited financial statements of FY17, FY18, FY19, provisional Figures of FY20 and Projections of FY21, publicly available information and information / clarifications provided by the entity's management. The rating draws strength from the vast business experience of the management, Consistent improvement in Revenue, Net worth, Satisfactory coverage ratio and healthy order book position. However the rating is constrained to risk associated with tender based business and exposure to intense competition. Going forward, the ability of the entity to achieve projected revenue & profitability margins and manage liquidity would be key rating sensitivities



Description of Key Rating Drivers

Credit Strengths:

- **Management's experience and established operations:** Established track record in the business as the firm has been active since 1975. Partners have over three decades of experience in civil and infrastructure development industry
- **Healthy Work Order Position:** The firm has developed a long standing relationship with Telangana State Mineral Development Corporation, Public Works Department (PWD) of Telangana, The Singareni Collieries Company Limited, South Central Railways, etc., and gained significant experience in tender bidding process which helps in continuous receipt of orders.
- **Moderate financial risk profile:** Revenue increased from Rs.26.04 Crs in FY18 to Rs 122.44 Crs and further based on a provisional basis, revenue increased substantially to Rs.151.49 Crs for the FY20. Moderate financial risk profile reflected by gearing ratio at 1.56 times coupled with net-worth of Rs. 17.11 Crs in FY19 and interest coverage ratio at 5.15 times in FY19. Provisionally the net worth is recorded at Rs 27.49 Crs in FY20.

Credit Risks:

- **Project execution risk:** The firm faces inherent challenges to complete the project within stipulated budgets and time limits
- **Geographic concentration risk:** The firm operations are restricted to the areas in Telangana state which limits the firm's ability to scale up the operations.
- **Fragmented and intensely competitive industry:** Entry barriers in civil & infrastructure development business are low. This leads to intense competition and limits players' bargaining power.
- **Susceptibility to risks inherent in tender based business:** The business depends on the ability of the company to bid for tenders successfully. Also, the majority of orders are from government departments resulting in high dependence on timely clearances for tenders and payments. Revenue and profitability are expected to remain susceptible to risks inherent in tender based operations. Tender based operations limit pricing flexibility in an intensely competitive industry

Liquidity - Moderate : Though Current ratio is low at 0.95 times as on 31st March 2019, It maintains satisfactory level at 2.27 times as on 31st March 2020. Net cash accruals to total debt was 0.41 times as on 31st March 2019. Days receivables were comfortable at 25 days for FY19. Cash & Cash equivalents stood at Rs. 0.35 crore as on 31st March 2019.

Analytical Approach

Brickwork Ratings has applied its rating methodology as detailed in the Rating Criteria below (hyperlinks provided at the end of this rationale).

Rating Sensitivities

Going forward the company's ability to improve the scale of operations, improve and maintain profitability, the debt servicing capability & liquidity will be the key rating sensitivities.



Positive: The rating will be upgraded if the company is able to achieve significant growth in revenue and improvement in profitability backed by a favourable industry scenario.

Negative: The rating may be downgraded if there is lower than expected revenues affecting the profitability margins, coverage ratios, liquidity and gearing ratios adversely.

About the Firm

R Vidya Sagar Rao ('RVSR' or 'the firm') was established in 1975, initially as a proprietorship concern and converted to partnership in 1992. The firm is engaged in execution of civil and infrastructure development contracts for both Central Government and State Government entities. Shri. R Anil, Shri. R Vidya Sagar Rao, Shri. R Anand and Smt. R Nirmala are partners.

Financial Performance

Key Financial Indicators:

Particulars	Units	31 Mar 2018	31 Mar 2019
		Audited	Audited
Net Revenue	Rs. Cr	26.04	122.44
EBITDA	Rs. Cr	2.80	13.49
Profit After Tax	Rs. Cr	0.68	6.53
Tangible Net Worth	Rs. Cr	9.83	17.11
Total Debt : Tangible Net Worth	Times	0.62	1.56
Current Ratio	Times	1.83	0.95

On a provisional basis, the company has achieved revenue of ~Rs.151.49 crores in FY20.

Rating History for the previous three years [including withdrawal and suspended]

S.No	Facility	Current Rating			Rating History		
		Type	Amount (Rs Crs)	Rating	22.07.2019	4.5.2018	2017
1	Fund Based	Long Term	8.00	BWR BB+ (Stable) (Upgrade)	BWR BB (Stable) (Upgrade)	BWR BB- (Stable) (Upgrade)	-
2	Non Fund Based	Short Term	10.00	BWR A4+ (Upgrade)	BWR A4 (Reaffirm)	BWR A4 (Reaffirm)	
Total			18.00	INR Eighteen Crores Only			

Status of non-cooperation with previous CRA- Nil

Any other information - Nil

Hyperlink/Reference to applicable Criteria

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

Analytical Contacts	Investor Contacts
<p>K.Nagaraj Associate Director - Ratings B :+91 80 4040 9940 nagaraj.ks@brickworkratings.com</p> <p>Rasmita.M Rating Analyst B :+91 40 2331 0161/ 2331 0071 rasmita.m@brickworkratings.com</p>	<p>Liena Thakur Assistant Vice President - Corporate Communications +91 84339 94686 liena.t@brickworkratings.com</p>

Annexure -I
Bank wise facilities

Name of the Bank	Facilities	Tenure	Amount Rated (In Crs)
State Bank of India	<u>Fund Based:</u>		
	Cash Credit	Long Term	6.00
	Proposed Cash Credit		2.00
	<u>Non Fund Based:</u>		
	Bank Guarantee (BG)	Short Term	4.00
	Proposed additional BG		6.00
Total			18.00

For print and digital media The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

About Brickwork Ratings : Brickwork Ratings (BWR), a Securities and Exchange Board of India [SEBI] registered Credit Rating Agency and accredited by Reserve Bank of India [RBI], offers credit ratings of Bank Loan, Non- convertible / convertible / partially convertible debentures and other capital market instruments and bonds, Commercial Paper, perpetual bonds, asset-backed and mortgage-backed securities, partial guarantees and other structured / credit enhanced debt instruments, Security Receipts, Securitisation Products, Municipal Bonds, etc. BWR has rated over 11,400 medium and large corporates and financial institutions' instruments. BWR has also rated NGOs, Educational Institutions, Hospitals, Real Estate Developers, Urban Local Bodies and Municipal Corporations. BWR has Canara Bank, a leading public sector bank, as one of the promoters and strategic partners. BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

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.