Rating Rationale

R.E. Infra **22 May 2019**

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹ 5.85 Crores of R.E. Infra.

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based	3.85	Long Term	BWR B- (Pronounced as BWR Single B Minus) Outlook : Stable
Non Fund Based	2.00	Short Term	BWR A4 (Pronounced as BWR A Four)
Total	5.85	INR Five Crores Eighty Five Lakhs Only	

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

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financials upto FY18, projected financials upto FY20 and publicly available information / clarifications provided by the company's management.

The rating draws strength from the experienced and qualified partners in the industry, healthy order book and moderate interest coverage ratio. The rating is however constrained by modest scale of operations in fragmented industry, leveraged capital structure with low Tangible Net Worth and high gearing Level, stretched working capital cycle, client concentration risk and susceptibility of profitability margins to volatility in the prices of raw materials.

Going forward, the ability of the Entity to accelerate its scale of operations, increase its profit margins, efficiently manage its working capital and cash flows for timely servicing of interest/debt obligations and strengthening of overall financial risk profile shall be the key rating sensitivities

Description of Key Rating Drivers

Credit Strengths:

- The firm stands to benefit from the experienced and qualified partners in the industry.
- The firm has moderate interest coverage indicated by ISCR which stood at 2.32x in FY18.
- The entity has a healthy order book of ₹52 crs approx to be executed in the timeline of around 2 years which shows revenue visibility in the near term.

Credit Risks:

- Intense competition may continue to constrain scalability indicated by low scale of operations with Revenues at ₹14.58 crs as at FY18 even though having modest growth from ₹7.07 crs as at FY17. The company is expected to achieve the TOI of ₹16 crs approx in FY19.
- Leveraged Capital Structure indicated by low Tangible Net worth level which stood at ₹1.14 crs and high Gearing level of 5.23x as at FY18.
- Profitability margins are susceptible to volatility in raw material prices and the presence of the firm in highly fragmented industry further puts pressure on profitability margins. Operating Profit Margin (OPM) declined marginally in FY18 to 5.53% from 5.74% in FY17.
- Working Capital remain stretched marked by high Gross Current Assets which stood at 269 days as at FY18 driven largely by stretched Receivables
- The entity is exposed to client concentration risk as the majority of the revenue is generated from one client. The entity is sub-contractor and works mainly for one contractor.

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).

Liquidity Profile

Current Ratio stood at 1.42x as at FY18. Cash & Cash equivalents stood negligible at ₹0.09 crs. The working capital almost remain fully utilized from the period Nov 2018 to March 2019.

Rating Outlook: *Stable*

BWR believes the **R.E. Infra** 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 Company

RE Infra is Partnership firm incorporated in 2011 having its registered office in Nasik. RE Infra is Sub-contractor and works mainly for one contractor. RE Infra specializes in construction of bridge, flyover, skywalk, foot over bridge and other civil construction work.

Company Financial Performance

RE Infra reported Total Operating Income (TOI) of ₹14.58 crs and Net Profit of ₹0.30 crs in FY18 as against TOI of ₹7.07 crs and Net Profit of ₹0.24 crs in FY17. The entity is expected to achieve the TOI of ₹16 crs approx in FY19. Tangible Net Worth (TNW) stood at 1.14 crs and Gearing stood at 5.23x as on 31 March 2018.

Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type		**Audited**	**Audited**
Operating Revenue	₹ Cr	14.58	7.07
EBITDA	₹ Cr	0.81	0.41
PAT	₹ Cr	0.30	0.24
Tangible Net worth	₹ Cr	1.14	0.76
Total Debt/Tangible Net worth	Times	5.23	3.12

Rating History for the last three years

S.No	Instrument /Facility	Current Rating			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2018	2017	2016
1)	**Fund Based** Existing Cash Credit Proposed Cash Credit Proposed Term Loan	Long Term	2.50 1.00 0.35	**BWR B- (Pronounced as BWR Single B Minus) Outlook : Stable**	**Not Rated**	**Not Rated**	**Not Rated**
2)	**Non Fund Based** Proposed BG	Short Term	2.00	**BWR A4 (Pronounced as BWR A Four)**			
	Total		**5.85**	**INR Five Crores Eighty Five Lakhs Only**			

Status of non-cooperation with previous CRA (if applicable)- NA

Hyperlink/Reference to applicable Criteria

- **General Criteria**
- **Approach to Financial Ratios**
- **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, 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 leading public sector 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, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

DISCLAIMER

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