

Rating Rationale

Ravindranath

11th October 2017

Brickwork Ratings assigns ratings for the Bank Loan Facilities of Rs.25.00 Cr of Ravindranath.

Particulars

Facility Rated	Sanctioned Amount (Rs. Crs)	Proposed Amount (Rs. Crs)	Tenure	Rating *
Fund Based			Long Term	BWR BB+ (BWR Double B Plus) Outlook: Stable
Over Draft	2.00	5.00		
Non Fund based			Short Term	BWR A4+ (BWR A Four Plus)
Bank Guarantee	10.00	20.00		
Total	Rs 12.00 Crs	25.00 Crs	(Rupees Twenty Five Crores Only)	

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

Rating assigned

Brickwork Ratings assigns long term rating of **BWR BB+** and short term rating of **BWR A4+** for the Bank Loan Facilities of Rs 25.00 Crs of Ravindranath.

Rationale / Rating sensitivities:

The Rating has factored Promoters' experience in construction industry, visible growth in revenue in FY 16, low gearing level, comfortable coverage ratios and adequate liquidity position. However, the rating is constrained by decline in revenue in FY 17, decline in profitability margins, inherent risk of constitution being proprietorship, working capital intensive nature of operations and intense competition from other established players.

Going forward, ability of the firm to scale up its operations further, to improve its profitability margins and to manage its working capital efficiently will be the key rating sensitivities.

Rating Outlook: Stable

BWR believes that the **Ravindranath's** 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.

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).

Key Rating Drivers:

Strengths

Promoters' experience: Vast experience of the promoter with an established track record in the construction industry.

Visible growth in revenue: The firm's revenue has increased from Rs 56.27 Crs in FY 15 to Rs 80.16 Crs in FY 16.

Low gearing level: The firm has low gearing with the debt equity ratio of 0.24 times in FY16.

Weaknesses

Decline in revenue in FY 17: As per provisional financials, the revenue of the firm has declined to Rs 49.61 Crs.

Constitution: Inherent limitations of proprietorship constitution in terms of capital and management.

Decline in profitability margins: Operating profitability margin has come down from 6.74 % in FY 15 to 5.75 % in FY 16 and net profitability margin has declined from 5.28% in FY 15 to 4.70% in FY 16.

About the Firm

Ravindranath is a Proprietorship firm established in the year 1994. The firm's registered office and the unit are located in Bangalore, Karnataka. The Firm is involved in civil contract works for local government bodies. Mr. Ravindranath is the proprietor of the firm who has 25 years experience in the Civil construction works. The firm operates mainly in North Karnataka region by having its branch in Koppal.

Firm's Financial Performance

Based on Audited financials of FY16, revenue of the firm has increased from Rs 56.27 Crs in FY 15 to Rs 80.16 Crs in FY 16. Firm has reported PAT 3.77 Crs. The firm's debt equity ratio is at 0.24 times and current ratio at 1.76 times. As per Provisional financials, firm has achieved revenue of Rs. 49.61 Crs and PAT of 2.72 Crs in FY17.

Key Parameters	FY 16 (Audited)	FY 15 (Audited)	FY 14 (Audited)
Revenue	Rs 80.16 Crs	Rs 56.27 Crs	Rs 40.83 Crs
EBITDA	Rs 4.36Crs	Rs 3.57 Crs	Rs 2.48 Crs
PAT	Rs 3.77 Crs	Rs 2.97 Crs	Rs 1.69 Crs
Tangible Net worth	Rs 16.00 Crs	Rs 13.34 Crs	Rs 11.67 Crs
Total Debt : Tangible Net worth	0.24 times	0.39 times	0.40 times
Current Ratio	1.76 times	2.24 times	1.50 times

Rating History for the last three years: (including withdrawn/suspended ratings)

Sl. No.	Instrument/Facility	Current Rating (2017)			Rating History		
		Type (Long Term/Short Term)	Amount (Rs Crs)	Rating	2016	2015	2014
Fund based							
1	Over Draft	Long Term	5.00	BWR BB+ Outlook:Stable	Not rated	Not rated	Not rated
Non Fund based							
5	Bank Guarantee	Short Term	20.00	BWR A4+	Not rated	Not rated	Not rated
Total			Rs 25.00	(Rupees Twenty Five Crores Only)			

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [EPC Contractor](#)

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, has also been 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 Nationalized 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, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

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