Rating Rationale

Sri Gurappa Parameswara Electrical & Civil Works

30 Apr 2019

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 7.00 Crores of Sri Gurappa Parameswara Electrical & Civil Works.('The Firm')

Particulars

Facility	Amount Sanctioned (₹ Crs)	Tenure	Rating Recommended
Fund Based Existing Proposed	 0.95 6.05	**Long Term**	**BWR B+** (*Pronounced as BWR Single B Plus*) **(Outlook: Stable)**
Total	**7.00**	**₹ Seven Crores Only**	

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

Rating : Assigned

Rationale/Description of Key Rating Drivers/Rating sensitivities:
BWR has essentially relied upon audited financial results up to FY18, publicly available information and information/clarifications provided by the management.

The Ratings draw strength from the porporiter's experience in the electrical industry, low gearing level, order book position, comfortable interest service coverage ratio and adequate liquidity position,The ratings, However, are constrained by small scale of business operations, low net worth,low profit margins, presence in an intensely competitive industry, exposure to risk arising from tender based nature of the business and inherent risks associated with firm being proprietorship.

Going forward, the ability of the Firm to increase its scale of operations, infuse the funds and manage its working capital efficiently would be like rating sensitivities.

Description of Key Rating Drivers
Credit Strengths: ● The Proprietor has 6 years of experience in the electrical industry. ● Firm had a moderate order book position of Rs.48.75 Crs to be executed by March 2020.. ● Revenue has improved from Rs2.83 Crs in FY17 to Rs5.39 Crs in FY18 ● PAT has increased From ₹0.11 Crs FY17 to ₹ 0.21 Crs FY18. ● Adequate liquidity is indicated by current ratio of 5.78 X in FY18. ● Low gearing level indicated by debt equity ratio of 0.51 times in FY18.But, it may increase after sanction of proposed facility.
Credit Risks: ● Small scale of operation. ● Low net worth of Rs. 0.78 Crs in FY18. ● Operating profit margin is at 4.61% and net profit margin of 3.97% in FY18. ● The electrical equipment industry is highly fragmented with the presence of large number of unorganized players and a few large organized players. ● The tender-driven business is characterised by intense competition which places pressure on the profitability of the Firm. ● withdrawal of capital by the Proprietor for any personal contingency would adversely affect the capital structure of the firm.

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).

Rating Outlook: Stable

BWR believes the **Sri Gurappa Parameswara Electrical & Civil Works** 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 Firm

Sri Gurappa Parameswara Electrical & Civil Works(SGP E&C) was established in 2013 as a proprietorship concern at Kattamanchi Chittoor (Dist) Andhra Pradesh. The firm is engaged in Railways Electrification, Governments Projects and Electrical for the Industries. Firm has unexecuted order book of ₹ 48.75 Crs for FY20.

Firm Financial Performance

The firm reported a total operating income of ₹ 5.39 Crs in FY18 against ₹ 2.83 Crs in FY 17.operating profit margin is at 4.61% and net profit margin of 3.97% in FY 18. the firm has a net worth of 0.78 Crs in FY 18. ISCR @ 7.24x in FY18.

Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type		**Audited**	**Audited**
Operating Revenue	₹ Cr	5.39	2.83
EBITDA	₹ Cr	0.25	0.15
PAT	₹ Cr	0.21	0.11
Tangible Net worth	₹ Cr	0.78	0.38
Total Debt/Tangible Net worth	Times	0.51	2.06
Current Ratio	Times	5.78	7.77

Rating History for the last three years

S.No	Facility	Current Rating			Rating History		
		Type	Amount (₹ Crs)	Rating	2018	2017	2016
1.	**Fund Based** Cash Credit	Long term	7.00	**BWR B+ (*Pronounced as BWR Single B Plus*) Outlook: Stable**	**Not Rated**		
	Total		**7.00**	**₹ Seven Crores Only**			

Status of non-cooperation with previous CRA - NA
Any other information: NA

Hyperlink/Reference to applicable Criteria

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

For any other criteria obtain hyperlinks from website

Analytical Contacts	Media
Nagaraj KS **Associate Director-Ratings** analyst@brickworkratings.com	media@brickworkratings.com
	Relationship Contact
	bd@brickworkratings.com
Phone: 1-860-425-2742	

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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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