



Rating Rationale

Sri Guru Ragavendra Enterprises

17May2019

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹. 9.63 Crores of Sri Guru Ragavendra Enterprises (SGRE or The Firm).

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (July, 2017)	Present
Fund based Overdraft Term Loan	1.20 2.00	1.20 1.43	Long Term	BWR BB (Pronounced as BWR Double B) Outlook: Stable	BWR BB (Pronounced as BWR Double B) Outlook: Stable (Reaffirmed)
Non Fund Based Bank Guarantee	11.80	7.00	Short Term	BWR A4 (Pronounced as BWR A Four)	BWR A4 (Pronounced as BWR A Four) (Reaffirmed)
Total	15.00	9.63	INR Nine Crores and Sixty Three Lakhs Only		

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

Ratings: Reaffirmed

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financial results up to FY18, and clarifications provided by the Firm's management.

The rating reaffirmation takes into consideration of Partners experience, established relationship with customers and suppliers, firm is an authorized dealer of Birla Super and Ultra Tech Cement, low gearing profile, and satisfactory debt coverage indicator. However, the rating is constrained by negative operating



profit margin, negative interest coverage, tender based nature of business, inherent risk of firm being partnership concern and intense competition from other organised and unorganised players in the sector.

Going forward, the ability of the Firm to enhance growth in operations with further increase revenues, improve profit margins, manage its working capital efficiently and improve its overall financials would be the key rating sensitivities.

Description of Key Rating Drivers

Credit Strengths:

- **Partners Experience :** Mr. T R Lokesh and Mr. T S Dharmendar are the partners of the firm having business experience for more than two decades in the same line of business.
- **Relationship with customers and suppliers:** Established relationship with customers and suppliers is more than a decade.
- **Authorized Dealer in Mysore:** The firm is an Authorized dealer of Birla Super and Ultra Tech Cement in Mysore District- supporting the revenues of civil construction business and is also rendering business synergies to its core business.
- **Low gearing and satisfactory debt coverage indicator :** Low gearing profile as debt to equity stood at 0.44 times in FY18 and debt coverage indicators as stood at 3.79 times in FY18.

Credit Risks:

- **Weak Financial profile :** Weak financial profile marked by small scale of operations as revenues improved marginally from 37.16 Crs in FY17 to Rs. 37.94 Crs in FY18, negative operating profit margin stood at (6.18%) in FY18, negative interest coverage indicator reported at (5.78) times in FY18, strained liquidity position as current ratio stood at 1.19 times in FY18, however the utilization of working capital limits is 100% in FY18.
- **Tender based nature of business and inherent risk :** Since revenue depends on success in winning tenders in a competitive bidding process, it may fluctuate and Inherent risk of firm being partnership concern.

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 Guru Ragavendra Enterprises** 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

M/s Sri Guru Ragavendra Enterprises, a Mysore based Firm established in the year 2004 as a partnership firm. The main promoters of the firm are Mr. T. R. Lokesh and Mr. T. S. Dharmendra,. The firm is primarily engaged in civil construction projects, such as underground drainage, roads etc and civil works for water supply divisions viz, Karnataka Urban Infrastructure Development & Finance Corporation and Karnataka Urban Water Supply and Drainage Board. The firm is also an Authorised Dealer for Ultra Tech and Birla Super Cements in Mysore.

Firm Financial Performance

As per FY18 audited financials, The Firm's revenue has reported Rs. 37.94 Crores in FY18 PAT was reported at Rs.2.10 Crs in FY18.

Rating History for the last three years

S.No	Facility	Current Rating (2019)			Rating History		
		Type	Amount (₹ Crs)	Rating	22.10.2018	20.7.2017	2016
	Fund Based	Long Term	2.63	BWR BB (Pronounced as BWR Double B) Outlook:Stable (Reaffirmed)	Rating Not Reviewed	BWR BB (Pronounced as BWR Double B) Outlook:Stable (Reaffirmed)	Not Rated
	Non Fund Based	Short Term	7.00	BWR A4 (Pronounced as BWR A Four) (Reaffirmed)		BWR A4 (Pronounced as BWR A Four) (Reaffirmed)	
	Total		9.63	₹ Nine Crores and Sixty Three Lakhs Only			



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

Key Financial Indicators

Key Parameters	Units	2015	2016	2017	2018
Result Type		Audited	Audited	Audited	Audited
Operating Revenue	Rs. In Crs	31.44	34.75	37.16	37.94
EBITDA	Rs. In Crs	1.32	1.43	1.42	(2.35)
PAT	Rs. In Crs	1.29	1.69	1.71	2.10
Tangible Net worth	Rs. In Crs	1.46	2.32	3.53	4.82
Total Debt/Tangible Net worth	Times	1.28	0.92	0.72	0.44
Current Ratio	Times	1.14	1.05	1.18	1.19

Hyperlink/Reference to applicable Criteria

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

For any other criteria obtain hyperlinks from website



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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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