



## Rating Rationale

13June2019

Sunrise Construction Co.

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**Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 7.00 Crores of Sunrise Construction Co..**

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### Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based	2.00	Long Term	<b>BWR B+</b> (Pronounced as BWR Single B Plus) Outlook: Stable
Non Fund Based	5.00	Short Term	<b>BWR A4</b> (Pronounced as BWR A Four)
<b>Total</b>	<b>7.00</b>	<b>INR Seven Crores Only</b>	

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

### Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financials upto FY18, Management certified provisional financials of 9MFY19, Projected/estimated financials for FY20 of Sunrise Construction Company ( or 'the firm') and publicly available information /clarifications provided by the firm's management.

The rating derives strength from experienced promoters and comfortable liquidity position. However, the rating continues to remain constrained due to tender driven business, low scale of operations, weak financial risk profile and working capital intensive nature of operations. Further, the rating remains constrained owing to inherent risk of withdrawal of capital due to partnership constitution of the firm.

Going further, the firm's ability to scale up its operations, improve profitability, infuse funds, manage working capital efficiently and repay debt obligations on time will be key rating sensitivities.



## Description of Key Rating Drivers

### Credit Strengths:

- **Experienced Promoters** : The firm was established by Khachar Family. The family has a long track in road construction business (since 1997).
- **Comfortable Liquidity Position** : Current Ratio stood at 1.26 times in FY17 & 1.49 times in FY18. Working capital utilisation remained between 70-80%.

### Credit Risks:

- **Low scale of Operation & Unhealthy Book order position** : The firm's operating revenue increased from Rs. 16.40 Crs in FY17 to Rs. 37.11 Crs in FY18. However, as per management certified provisional financials of 9MFY19, total revenue achieved is Rs. 17.44 Crs. The firm has work orders of Rs. 4.19 Crs as on 30.4.2019, which provides the weak visibility of revenues for FY20.
- **High gearing & Low tangible net worth** : Gearing is high at 2.43 times in FY18 as against 1.71 times in FY17 due to increased debt burden. Tangible net worth is Rs. 4.37 Crs. Debt protection metrics are weak. Profit margin has reduced from 5.57% in FY17 to 2.75% in FY18, due to price variations in steel, cement, bitumen.
- **Tender driven nature of business** : Execution risks for newly awarded projects in a timely manner will be key to achieving growth in revenues and profits. Business certainty is dependent on the firm's ability to successfully bid for the tenders as entire business is tender based.
- **High competition & Geographical concentration risk**: Working capital-intensive nature of operations and highly competitive and fragmented road construction sector. The firm's operation is limited to Saurashtra region of Gujarat State.

## 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 **Sunrise Construction Co.** 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

Sunrise Construction Company was established in 1997 as proprietorship firm and converted into partnership firm in 2013. It is based in Chotila, Surendranagar, Gujarat. The firm is 'AA' class contractor and holds 'Special Road Category I' status, with Road and Building (R&B) division of Government of Gujarat (GoG). Hence, the firm is eligible for tendering for the works of roads and building department, irrigation department and public health engineering wing department in Gujarat state. The firm is managed by Mr. Shivraj Khachar & his two sons, who have a extensive experience in construction business.

### Financial Performance

The Firm has reported a Sales of Rs. 37.11 crs with a PAT of Rs.1.02 Crs as per audited financials of FY18 against the sales of Rs. 16.40 Crs with a PAT of Rs. 0.91 Crs in FY17.

#### Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type		Audited	Audited
Operating Revenue	₹ Cr	37.11	16.40
EBITDA	₹ Cr	1.52	1.19
PAT	₹ Cr	1.02	0.91
Tangible Net worth	₹ Cr	4.37	3.04
Total Debt/Tangible Net worth	Times	2.43	1.71
Current Ratio	Times	1.49	1.26

### Rating History for the last three years

S.No	Facility	Current Rating (2019)			Rating History		
		Type	Amount (₹ Crs)	Rating	2018	2017	2016
1	Fund Based Cash Credit	Long Term	2.00	<b>BWR B+ (Pronounced as BWR Single B Plus)</b> Outlook: Stable	Not Rated	Not Rated	Not Rated
2	Non Fund Based Performance Guarantee	Short Term	5.00	<b>BWR A4 (Pronounced as BWR A Four)</b>	Not Rated	Not Rated	Not Rated
<b>Total</b>			<b>7.00</b>	<b>₹ Seven Crores Only</b>			

**Status of non-cooperation with previous CRA (if applicable)-** CARE rating has published a rationale under “Issuer did not Cooperate Category” with CARE BB- (Outlook : Stable) for a total debt size of Rs. 7 Crs, on 26 March, 2019

### 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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#### **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](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).

#### **About Brickwork Ratings**

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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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