



## Rating Rationale

Tribhuwan Narayan Singh

12 Oct 2018

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 20.00 Crores of Tribhuwan Narayan Singh.

## Particulars

Facilities	Amount (₹ Crs)	Tenure	Rating*
(Fund based) Cash Credit	10.00	Long Term	<b>BWR B-</b> (Pronounced as BWR Single B minus) Outlook: <u>Stable</u>
(Non Fund Based) Bank Guarantee	10.00	Short Term	<b>BWR A4</b> (Pronounced as BWR Single A four)
<b>Total</b>	<b>20.00</b>	<b>INR Twenty 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:

Brickworks has principally relied upon the audited financial results upto FY 2017, provisional financial of FY 2018, projections upto FY 2020, publicly available information and information/clarification provided by the concern.

The ratings have, inter alia factored in extensive experience of the proprietor in the contracting business, huge work order book position, adequate liquidity position, healthy profitability margins, comfortable debt protection metrics and low gearing.

The ratings are however, constrained by declining sales, stretched liquidity in the past, inherent risk of proprietorship constitution, geographical concentration of revenues, customer



concentration risk, regulatory risk, and risk associated with tender based business such as competitive bidding.

Going forward, scaling up of business, improving capital structure and profitability margins would be the key rating sensitivities

## **Key Rating Drivers**

### **Credit Strengths**

- ➔ **Extensive experience of the proprietor in the contracting business:** The sole proprietor i.e Shri Tribhuvan Narain Singh has vast experience of almost four decades in the business of taking public work contracts for constructing, strengthening, and widening roads.
- ➔ **Huge work order book position:** The concern has huge work order book position in hand of INR 152.71 crs. which are under process and the revenue would be realized in 2019. According to the information and proof received from the concern, it has won a new tender of INR 122 crs.
- ➔ **Adequate liquidity position:** The concern has adequate liquidity to cover its short term obligations. The current ratio of the concern stands at 6.98x for FY 2017.
- ➔ **Healthy profitability margins:** The profitability margins of the concern are on the healthier side vis-a-vis operating profit margins which is to the tune of 8.89% and net profit margins which is at 4.68% for the fiscal year 2017.
- ➔ **Comfortable coverage ratios:** The concern is competent enough to service the debt as well as interest portions of the borrowings, the debt service coverage and the interest service ratios translates to be 1.17x and 2.59x respectively for the fiscal year 2017.
- ➔ **Low gearing ratios:** The concern is not highly geared if one looks at the audited results of the concern, debt:equity is at 0.76x for FY 2017 and TOL/TNW is at 1.05x for the same fiscal.

### Credit weaknesses

- **Declining sales:** The total operating income of the concern is INR 40.01 crs. in FY 2017 which has declined from INR 65.42 crs in FY 2016. As per the provisional financial results the operating income has further dropped to INR 17.84 crs. in FY 2018.
- **Inherent risk of proprietorship constitution:** M/S Tribhuvan Narayan Singh is a proprietorship concern and in a sole proprietorship business where everything is typically owned and operated by individual. There is risk of capital being withdrawn by proprietor in case of personal exigency.
- **Geographical/Customer concentration of revenues:** There is the concentration risk attached to the business as the only customer is Public Works Department (PWD) and the geographical concentration risk as contracts are secured in eastern part of Uttar Pradesh and some parts of Bihar. The contracting business also faces regulatory risk as the concern is operating mainly in Uttar Pradesh, any change in the government or government policies may hamper the business as most of the work in progress is affected as the government changes.
- **Risk associated with tender based business such as competitive bidding:** Since revenue depends on success in winning tenders in a competitive bidding process, it may fluctuate.
- **Stretched Liquidity in the past:** The concern faced liquidity pressure in the past due to slow payments from their clients as evidenced by long conversion cycle.

### **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 **Tribhuvan Narayan Singh** 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

M/S Tribhuwan Narayan Singh is a proprietorship concern with registered office in Chandrashekhar Nagar, Rauza, Ghazipur, Uttar Pradesh and a corporate office in Vishwas Khand, Gomti Nagar, Lucknow. The key management personnel Shri Tribhuwan Narayan Singh has four decades of experience in EPC contract based line of activity. The concern takes PWD contracts and as of now the firm has four projects in hand. The concern has completed four projects in last three years and that too before deadline. The current headcount of the concern is 63 including 30 permanent and 33 temporary.

### Company Financial Performance

Key Financials	Units	FY 2017 Audited	FY 2016 Audited	FY 2018 Provisional
Operating Income	₹ Crs	40.01	65.42	17.84
OPBDIT	₹ Crs	3.56	6.97	1.55
PAT	₹ Crs	1.87	3.92	0.86
TNW	₹ Crs	14.41	19.84	14.19
TOL/TNW	Times	1.05	0.82	0.93
Current Ratio	Times	6.98	11.52	-

### Rating History for the last three years

S.No	Facilities	Current Rating (2018)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2017	2016	2015
1.	(Fund Based) Cash Credit	Long Term	10.00	BWR B- Outlook: <u>Stable</u>	NA	NA	NA
2.	(Non Fund Based) Bank Guarantee	Short Term	10.00	BWR A4	NA	NA	NA
<b>Total</b>			20.00	<b>₹ Twenty crores Only</b>			

**Status of non-cooperation with previous CRA:** The concern was rated by CRISIL under non-cooperation on 10/10/2017 as the agency failed to obtain information from the concern despite constant following up through letters and emails, apart from telephonic communication.

**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
<b>Satvinder Kumar Gakhar</b> Deputy General Manager- Ratings  <a href="mailto:analyst@brickworkratings.com">analyst@brickworkratings.com</a>	<a href="mailto:media@brickworkratings.com">media@brickworkratings.com</a>  <b>Relationship Contact</b>  <a href="mailto:bd@brickworkratings.com">bd@brickworkratings.com</a>
<b>Phone: 1-860-425-2742</b>	

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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**

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. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 13,22,500 Cr. In addition, BWR has rated over 7000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹62,000 Cr have been rated.

BWR has rated over 30 PSUs/Public Sector banks, as well as many major private players. BWR has a major presence in ULB rating of nearly 102 cities

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