

RATING RATIONALE

14 Feb 2020

Vijendra Pratap Singh

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹. 20.00 crores of Vijendra Pratap Singh

Particulars

Facilities	Previous Amount (₹ Crs)	Present Amount Rated (₹ Crs)	Tenure	BWR Rating History (Feb, 2019)	Rating**
Fund Based	4.50	4.50	Long Term	BWR BB <u>Stable</u> Assigned	BWR BB <u>Stable</u> Reaffirmed
Non-Fund Based	5.00	15.50 [^]			
Total	9.50	20.00	INR Twenty Crores Only		

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

** Details of Bank facilities/NCD/Bonds/Commercial Paper is provided in Annexure-I&II

[^] Includes proposed BG of INR 10.50 crores.

RATING ACTION / OUTLOOK

BWR has reaffirmed the ratings of Vijendra Pratap Singh as BWR BB; with Stable: Outlook. The reaffirmation in the rating reflects rich experience of the proprietor, well-established relationship with suppliers as well as customers, growing contractual receipts, healthy work order position, and comfortable financial risk profile and good profitability margins. However, the rating is constrained by high fragmentation and intense competition, inherent risk associated with the tender-based business, industry risk, and constitution of the entity as a proprietorship concern.

The ‘stable’ outlook indicates a low likelihood of a rating change in the medium term. BWR expects that the entity will continue to benefit from the rich experience of the proprietor.

KEY RATING DRIVERS

Credit Strengths

- **Experience of the proprietor:** The concern reaps benefit from the rich experience of the proprietor, Mr. Vijendra Pratap Singh who carries experience of one and a half decade in the business of undertaking civil contracts and apart from his individual expertise he is also supported by technical personnel who are highly experienced and knowledgeable in the field of civil work.

- **Well established relationship with suppliers and customers:** The concern has well established and long standing relationships with suppliers of raw materials like grit, tiles, marbles, charcoal, etc. used to carry out civil construction and renovation work. Besides, the firm is carrying out civil work allotted by PWD of different districts of Uttar Pradesh since 2002 which has enabled it to build up healthy relationships with the customers as well.
- **Growing contractual receipts:** The concern's operating revenue which is in the form of contractual receipts is growing at the rate of 24% year-on-year, the operating revenue stood at INR 41.86 crores in FY 2019 as against INR 38.22 crores in FY 2018. The concern has already achieved the revenue of INR 58.14 crores till Jan 2020 of the current fiscal year i.e. FY 2020 and is expected to close the year at the revenue of INR 60.00 crores.
- **Healthy Work Order Position:** The concern has a healthy work order book position in hand of INR 143.69 crores indicating revenue visibility in the short to medium term.
- **Comfortable financial risk profile and good profitability margins:** The financial risk profile of the concern is comfortable marked by low gearing levels and above-average coverage metrics, Total Debt/TNW, TOL/TNW, DSCR and ISCR were 0.99x, 1.73x, 2.88x and 3.47x respectively in FY 2019. Further, the profitability margins were also at a good level marked by OPM and NPM of 6.16% and 4.44% respectively in FY 2019. It is expected that the present trend in the profitability margins and financial risk profile may be maintained in the medium term.

Credit Weaknesses

- **Highly competitive and fragmented industry:** The construction industry in India is highly fragmented and competitive in nature as there is presence of more unorganised players and few organised players.
- **Inherent risk associated with tender-based business:** In tender-based business the risk of not winning the tender through bidding system is always there so the business may be affected by this phenomena.
- **Industry risk:** The Indian civil construction industry goes through multiple risks that include environmental and safety risks. Construction sites are exposed to the risk of mishaps taking place which requires the firms/companies to have safety measures such as proper training and safety manuals. Mass construction causes dust pollution which vitiates the environment. The Governments impose ban on construction activities where there are elevated pollution levels. This may affect the schedules of completion of projects and consequently attract penalties.
- **Constitution of the entity as a proprietorship concern:** Despite the advantage of being an emerging concern there is one disadvantage which will put the entity at the back foot of being constituted as a proprietorship entity which may affect the working of the concern at the time of capital being withdrawn by the proprietor in the situation of personal exigency.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at its ratings, BWR has considered the standalone financials of the firm. BWR has applied its rating methodology as detailed in the Rating Criteria (hyperlinks provided at the end of this rationale)

RATING SENSITIVITIES

Going forward, the ability of the concern to get new work orders, complete the projects in hand on time without any cost overruns, achieve the projected revenue, and maintain the present level of the financial risk and liquidity profile will be the key rating sensitivities.

Positive: Any substantial increase in revenue, profitability and improvement in overall financial risk and liquidity profile.

Negative: Any steep decline in sales and profitability margins and degradation in the overall financial risk and stretch in liquidity profile.

LIQUIDITY POSITION: Adequate

The liquidity profile of the concern is adequate marked by healthy cash and cash equivalents of INR 6.01 crores in FY 2019 and the adequate liquidity ratios marked by the current ratio and the quick ratio of 1.33x and 1.23x respectively in FY 2019. However, the liquidity profile is constrained by the utilization to the extent of 90-95% of the sanctioned fund based working capital limit of INR 4.50 crores.

CONCERN'S PROFILE

Established in the year 2002, M/s Vijendra Pratap Singh is a Gorakhpur-based proprietary concern engaged in work contract activity. The concern carries out civil work, road work and construction of immovable property in entire Uttar Pradesh Government Departments like PWD, Engineering Colleges, Municipality, District Panchayat, etc.

KEY FINANCIAL INDICATORS (in ₹ Cr)

Key Parameters	Units	FY 19	FY 18
Result Type		Audited	Audited
Total Operating Revenue	₹ Crores	41.86	38.22
EBITDA	₹ Crores	2.58	2.05
PAT	₹ Crores	1.86	1.55
Tangible Net Worth [Analyzed]	₹ Crores	5.51	4.90
TOL/TNW	Times	1.73	1.37
Current Ratio	Times	1.33	1.38

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: NA

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY: IND BB-/A4 under Issuer Non-Cooperation as on 07 Mar 2018.

RATING HISTORY

Facility	Current Rating			Rating History		
	Tenure (Long Term/ Short Term)	Amount (₹ Cr)	Rating	Feb, 2019	2018	2017
Fund Based	Long Term	4.50	BWR BB Stable Reaffirmed	BWR BB Stable Assigned	-	-
Non-Fund Based		15.50*				
Total		20.00	INR Twenty Crores Only			

* Includes proposed BG limit of INR 10.50 crores

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Infrastructure Sector](#)
- [Services Sector](#)

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Vijendra Pratap Singh

ANNEXURE I

Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
1.	Oriental Bank of Commerce	Cash Credit	4.50	-	4.50
2.		BG	15.50*	-	15.50*
TOTAL					20.00

Total Rupees Twenty Crores Only.

* Includes proposed BG limit of INR 10.50 crores

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