



## Rating Rationale

Tirumala Constructions

26Feb2019

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 6.98 Crores of Tirumala Constructions.

## Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
<b>Fund based Cash Credit Term Loan</b>	<b>2.00 0.98</b>	<b>Long Term</b>	<b>BWR BB (Pronounced as BWR Double B ) (Outlook : Stable)</b>
<b>Non Fund Based Bank Guarantee</b>	<b>4.00**</b>	<b>Short Term</b>	<b>BWR A4 (Pronounced as BWR A Four )</b>
<b>Total</b>	<b>6.98</b>	<b>INR Six Crores and Ninety Eight lakhs Only</b>	

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

\*\* BG = Existing Rs. 2.00 Crs + Proposed Rs. 2.00 Crs = Rs. 4.00 Crs

## Ratings: 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 rating, inter alia, has factored the partner's experience, increase in revenue and profit margins, comfortable debt protection metrics, low gearing and comfortable liquidity position. However the rating is constrained by small scale of operations, low net worth, tender based nature of business, withdrawal of capital by the Partners for any personal contingency would adversely affect the capital structure of the firm and inherent risks associated with the constitution being a partnership firm.



Going forward, the Firm's ability to efficiently manage its working capital requirements, improve scale of operations & Margins , service the debt obligations promptly and enhance its capital position are the key rating sensitivities.

#### **Description of Key Rating Drivers**

##### **Credit Strengths:**

The Partners' experience for 2 decades in the construction sector.

The firm's revenue from operations has increased to Rs. 18.23 Crs in the FY18 against Rs. 17.31 Crs in FY17.

The FY18 current ratio of 2.41 indicates adequate liquidity position and debt equity ratio is 0.84x in FY18.

The firm's operating profit margin and net profit margins are increased to 14.39% & 6.44% respectively in FY18 against 9.68% & 6.06% in FY17.

DSCR and ISCR of the firm stand at 3.00 and 4.07 respectively in FY18 indicating firm's adequacy to meet its debt obligations.

##### **Credit Risks:**

Small scale of operations.

The firm has tangible nature of Rs. 5.65 Crs in FY18.

Tender based nature of operations.

Working capital intensive nature of operations.

Withdrawal of capital by the Partners for any personal contingency would adversely affect the capital structure of the firm.

Limitations of Partnership constitution in terms of capital and management.

##### **Liquidity position :**

The firm has reported current ratio of 2.41 times in FY18 which indicates adequate liquidity position. As on 31-3-2018 the cash balance is Rs. 1.20 Crs. The average cash credit utilization is >100% indicates tight liquidity position and which due to handling of Government projects. However the partners have ability to infuse capital as and when required.



### 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 Tirumala Constructions 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. Tirumala Constructions is a Partnership Firm started in the year 2007. The registered Office is located in Adilabad, Telangana. G. Hanmandlu, G. Naveen, G. Suman, G. Laxmi and G. Sucharitha are the partners of the firm. The firm is engaged in Civil construction of roads, bridges & buildings for Govt projects under tendera based system. The firm is having Special Civil Contractor License in Telangana. Mr. G praveen (S/o G. Hanmandlu) is taking care of day to day operations of the Firm.

### Financial Performance

As per audited financials of FY18, The Firm has reported total operating income of ₹ 18.23 Crs as compared to ₹ 17.31 Crs in FY17 . Operating profit margin of the Firm is at 14.39% and net profit margin of 6.44% in FY18. The Firm has net worth of ₹ 5.65 Crs in FY18. Debt Equity ratio of the Firm stood at 0.84 times in FY18. The Firm has reported ISCR of 4.07x & DSCR of 3.00x in FY19.

#### Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type		Audited	Audited
Operating Revenue	₹ Cr	18.23	17.31
EBITDA	₹ Cr	2.62	1.68
PAT	₹ Cr	1.17	1.05
Tangible Net worth	₹ Cr	5.65	4.88
Total Debt/Tangible Net worth	Times	0.84	0.73
Current Ratio	Times	2.41	1.94

**Rating History for the last three years**

Facility	Current Rating			Rating History		
	Type	Amount (₹ Crs)	Rating	2017	2016	2015
<b>Fund Based (CC &amp; TL)</b>	Long Term	2.98	<b>BWR BB (Pronounced as BWR Double B) (Outlook : Stable)</b>	<b>Not Rated</b>		
<b>Non Fund Based (BG)</b>	Short Term	4.00	<b>BWR A4 (Pronounced as BWR A Four)</b>			
<b>Total</b>		<b>6.98</b>	<b>INR Six Crores and Ninety Eight lakhs Only</b>			

Status of non-cooperation with previous CRA - Nil

Any other information : Nil

**Hyperlink/Reference to applicable Criteria**

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

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**

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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