

Press Release

D R Buildestate Private Limited

April 10, 2023



Rating Downgraded

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	2.50	ACUITE BB+ Stable Downgraded	-
Bank Loan Ratings	19.50	-	ACUITE A4+ Downgraded
Total Outstanding Quantum (Rs. Cr)	22.00	-	-

Rating Rationale

Acuite has downgraded the long-term rating to '**ACUITE BB+**' (read as **ACUITE Double B Plus**) from '**ACUITE BBB-**' (read as **ACUITE Triple B minus**) and the short-term rating to '**ACUITE A4+**' (read as **ACUITE A Four Plus**) from '**ACUITE A3+**' (read as **ACUITE A three plus**) on the Rs. 22.00 crore bank facilities of DR Buildestate Private Limited (DRBPL). The outlook is '**Stable**'.

Rationale for downgrade

The rating takes into account the healthy financial risk profile of the company, comfortable debt profile and adequate liquidity position. Rating has been downgraded on account of subdued operational performance in FY 2022 and FY 2023. Due to non-availability of big ticket work order and delays in existing work orders company's scale of operations have subdued significantly FY 2023. Also revenue visibility has declined as there was certain discrepancy observed in the order book as one big ticket project which was earlier part of the pipeline is omitted this year. Going forward, ability of the company to execute orders in time and growth in scale of operations as a result of new projects being awarded will remain key rating sensitivities.

About the Company

D R Buildestate Private Limited is a civil contractor involved in the construction of buildings, roads and highways for the government of Uttar Pradesh and Madhya Pradesh and also takes sub contracts from reputed clientele. DRBPL is promoted by Mr. Devendra Kumar and Mrs. Rajni Singh. The entity was established in 2004 and is based in Delhi NCR. The entity undertakes various civil construction projects for various government departments like UPVP, MPUDCL, PWD etc.

Analytical Approach

Acuite has considered the standalone business and financial risk profile of D R Buildestate Private Limited to arrive at this rating.

Key Rating Drivers

Strengths

Financial Risk Profile

Company's financial risk profile is healthy marked by moderate tangible net worth base, comfortable gearing and debt protection metrics. Tangible net worth stood at Rs. 26.01 Cr in FY 2022 as against Rs. 22.46 Cr in FY 2021. Total debt in FY 2022 of Rs. 4.62 Cr consists of Rs. 1.76 Cr of long term debt, Rs. 1.55 Cr of working capital borrowings and Rs. 1.32 Cr of CPLTD. Gearing (Debt to Equity) stood below unity at 0.18 times in FY 2022. Interest coverage ratio improved and stood strong at 14.57 times in FY 2022 as against 7.57 times in FY 2021. NCA/TD moderated to 1.06 times in FY 2022 from 1.58 times in FY 2021. TOL/TNW improved from 1.47 times in FY 2021 to 1.02 times in FY 2022. Debt-EBITDA (excluding other income) moderated from 0.63 times in FY 2021 to 0.95 times in FY 2022.

Improving profitability

Company's profitability has improved year on year. EBITDA margin has improved from 3.51% in FY 2020 to 5.75% in FY 2021 and further improved to 6.34% in FY 2022. PAT margin saw moderate improvement year on year from 4.19% in FY 2020 to 4.21% in FY 2021 and 4.62% in FY 2022.

Weaknesses

Declining operations and work order position

The company's operating revenue saw a dip in FY22 and further a sharp dip in FY23 on account of non-availability of big ticket work order and delays in existing work orders. Also revenue visibility has declined as there was certain discrepancy observed in the submission of order book position as one big ticket project which was earlier part of the pipeline is omitted this year restricting the order book to Rs. 57.90 Cr. as against Rs. 141 Cr. approx. in the last year.

Competitive Business Environment

DRBPL is involved in civil construction work on tender basis where the entry barriers are not so high and there is presence of numerous players in the sector which presents major challenges to the ability of DRBPL to bid and win tenders on a sustainable basis. Intense competition can be detrimental for the entity and the business acumen of promoters and management would be key for DRBPL's sustained growth in the medium term.

Geographical Concentration and Government business risk

DRBPL is involved in civil construction works in Uttar Pradesh and Madhya Pradesh. With limited geographical presence the entity also depends upon funds from completed government projects. Any approval or payment related delays from government departments can seriously affect the cashflows of DRBPL and the risk of concentrated geographical presence would mean that the entity would not have other sources of revenue to sustain operations which could affect topline significantly.

Rating Sensitivities

- Ability of the company to bag fresh tenders improving its work order position
- Ability of DRBPL to execute projects in hand on time.
- Movement of raw material prices.
- Timely payments by Government departments.
- Company's ability to grow in terms of revenue while improving or maintaining the profitability position.
- The leverage of the company to remain below unity.

Material covenants

None.

Liquidity Position

Adequate

Company has adequate liquidity position. In FY 2022 company generated NCA of Rs. 4.91 Cr against repayment of Rs. 1.75 Cr of long term loans. Company's cash and bank position stood at Rs. 5.39 Cr in FY 2022 along with current ratio of 1.77. Out of fixed deposits of Rs. 20.82 Cr in FY 2022, company has Rs. 13.5 Cr as free investment while rest of the amount is lien marked as margin against bank guarantees and security money to government departments.

Outlook: Stable

Acuite believes that DRBPL will maintain a 'Stable' outlook over the medium term on the back of promoter's extensive experience and relationships with customers and suppliers, healthy financial risk profile and strong liquidity position. The outlook may be revised to 'Positive' incase the company registers higher-than-expected growth in its revenue and profitability. Conversely, the outlook may be revised to 'Negative' in case the company registers lower than expected growth in revenues and profitability or in case of deterioration in the company's financial risk profile or elongation in the working capital cycle.

Other Factors affecting Rating

None.

Key Financials

Particulars	Unit	FY 22 (Actual)	FY 21 (Actual)
Operating Income	Rs. Cr.	76.94	91.48
PAT	Rs. Cr.	3.55	3.85
PAT Margin	(%)	4.62	4.21
Total Debt/Tangible Net Worth	Times	0.18	0.15
PBDIT/Interest	Times	14.57	7.57

Status of non-cooperation with previous CRA (if applicable)

CRISIL vide its press release dated 15 June 2022, has mentioned the rating of DRBPL as '[CRISIL] B+/Stable/A4' Issuer Not Cooperating as on 15 June 2022.

Brickwork vide its press release dated 23 March 2023, has mentioned the rating of DRBPL as '[BWR] BB-/Stable/A4' Issuer Not Cooperating as on 23 March 2022.

Any other information

None.

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
20 Jan 2022	Bank Guarantee	Short Term	7.00	ACUITE A3+ (Assigned)
	Bank Guarantee	Short Term	12.50	ACUITE A3+ (Assigned)
	Secured Overdraft	Long Term	0.50	ACUITE BBB- Stable (Assigned)
	Secured Overdraft	Long Term	2.00	ACUITE BBB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
HDFC Bank Ltd	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	12.50	ACUITE A4+ Downgraded
Union Bank of India	Not Applicable	Bank Guarantee (BLR)	Not Applicable	Not Applicable	Not Applicable	Simple	7.00	ACUITE A4+ Downgraded
HDFC Bank Ltd	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	2.00	ACUITE BB+ Stable Downgraded
Union Bank of India	Not Applicable	Secured Overdraft	Not Applicable	Not Applicable	Not Applicable	Simple	0.50	ACUITE BB+ Stable Downgraded

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About Acuité Ratings & Research

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