



Press Release
D R Buildestate Private Limited
July 08, 2024
Rating Assigned, Downgraded and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	1.00	ACUITE BB Stable Assigned	-
Bank Loan Ratings	2.50	ACUITE BB Stable Downgraded	-
Bank Loan Ratings	4.00	-	ACUITE A4+ Assigned
Bank Loan Ratings	19.50	-	ACUITE A4+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	27.00	-	-

Rating Rationale

Acuite has downgraded the long-term rating to '**ACUITE BB**' (read as **ACUITE Double B**) from '**ACUITE BB+**' (read as **ACUITE Double B plus**) on the Rs. 2.50 crore bank facilities and reaffirmed the short-term rating to '**ACUITE A4+**' (read as **ACUITE A Four Plus**) on the Rs. 19.50 crore bank facilities of D R Buildestate Private Limited (DRBPL). The outlook remains '**Stable**'.

Further Acuite has assigned the long-term rating of '**ACUITE BB**' (read as **ACUITE Double B**) and the short-term rating of '**ACUITE A4+**' (read as **ACUITE A Four Plus**) on the Rs. 5.00 crore bank facilities of D R Buildestate Private Limited (DRBPL). The outlook is '**Stable**'.

Rational for rating downgrade

The rating downgrade is on account of moderation in operating performance and elongation of working capital cycle of D R Buildestate Private Limited. The company is estimated to generate revenue of Rs. 23.96 Cr. in FY2024E as against Rs. 25.76 Cr. in FY2023 and Rs. 76.96 Cr. in FY2022. The moderation is primarily on account of lower execution, due to limited orderbook. The total unexecuted order book stood at Rs. 28.13 crore as on 31st March 2024. Going forward, the company's ability to get new orders and scale up its operations while maintaining its profitability margins and capital structure will remain a key rating monitorable.

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 UPAVP, MPUDCL, PWD etc.

Unsupported Rating

Not Applicable

Analytical Approach

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

Key Rating Drivers

Strengths

Experienced management

DRBPL is promoted by Mr. Devendra Kumar and Mrs. Rajni Singh. The promoters have an industry experience of more than a decade.

Moderate financial risk profile

D R Buildestate has a moderate financial risk profile marked by moderate net worth, comfortable gearing and debt protection metrics. DRBPL's net worth stood at Rs. 27.10 crore as on March 31, 2023 against Rs. 26.01 crore as on 31st March 2022. The company's gearing stood at 0.22 times as on March 31, 2023 as against 0.18 times as on March 31, 2022. The company's total debt as on March 31, 2023 stood at Rs. 5.87 crore as compared to Rs. 4.62 crore as on March 31, 2022; comprising of long-term debt of Rs. 1.38 crore, short-term debt of Rs. 4.12 crore. TOL/TNW stood at 0.74 times as on March 31, 2023. The interest coverage ratio of the company stood at 5.27 times in FY23 against 14.57 times in FY22. DSCR stood at 1.43 times in FY2023 against 11.58 times in FY2022.

Weaknesses

Working capital operations

D R Buildestate has highly intensive working capital operations with average gross current asset (GCA) days standing over 148 days during FY21 to FY23. GCA days increased to 261 days in FY2023 against 95 days in FY2022 and includes other current assets i.e. advance to parties, receivables from revenue authority etc. Inventory days stood at 25 days in FY2023 against 5 days in FY2022. The debtor days stood at 13 days for FY23 against 0 days for FY22. The creditor days of the firm stood at 204 days for FY23 as against 124 days for FY22. The average bank limit utilization stood at ~44% for a period of 6 months between January 2024 and May 2024. Acuite believes that the working capital operations of the group will remain at similar levels over the medium term given the volatile nature of the industry.

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 to scale up its operations while maintaining its profitability position and capital structure

Liquidity Position

Adequate

Liquidity is adequately backed by DRBPL's net cash accruals, which stood at Rs. 2.17 Cr. as on March 31, 2023, against maturing debt repayment obligation of Rs. 1.32 Cr. The company is expected to generate net cash accruals in the range of Rs. 2-2.9 Cr. in FY2024-26 as against repayment obligation of Rs. 0.32-0.47 Cr. for the same period. The cash and bank balances of the company stood at Rs. 1.57 Cr. as on March 31, 2023. The current ratio stood at 2.14 times as on March 31, 2023. The working capital operations of the company are highly intensive

marked by its gross current asset (GCA) days of 261 days for FY2023 as against 95 days for FY2022. Acuite believes that going forward the company's liquidity position shall remain adequate over the medium term due to adequate net cash accruals against its maturing debt obligation.

Outlook: Stable

Acuite believes that DRBPL will maintain a 'Stable' outlook over the medium term on the back of promoter's extensive experience and moderate financial risk profile. The outlook may be revised to 'Positive' in case 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 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	25.76	76.96
PAT	Rs. Cr.	1.09	3.55
PAT Margin	(%)	4.22	4.62
Total Debt/Tangible Net Worth	Times	0.22	0.18
PBDIT/Interest	Times	5.27	14.57

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

Not applicable

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
10 Apr 2023	Secured Overdraft	Long Term	2.00	ACUITE BB+ Stable (Downgraded from ACUITE BBB- Stable)
	Secured Overdraft	Long Term	0.50	ACUITE BB+ Stable (Downgraded from ACUITE BBB- Stable)
	Bank Guarantee (BLR)	Short Term	12.50	ACUITE A4+ (Downgraded from ACUITE A3+)
	Bank Guarantee (BLR)	Short Term	7.00	ACUITE A4+ (Downgraded from ACUITE A3+)
20 Jan 2022	Secured Overdraft	Long Term	0.50	ACUITE BBB- Stable (Assigned)
	Secured Overdraft	Long Term	2.00	ACUITE BBB- Stable (Assigned)
	Bank Guarantee (BLR)	Short Term	7.00	ACUITE A3+ (Assigned)
	Bank Guarantee (BLR)	Short Term	12.50	ACUITE A3+ (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 avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	12.50	ACUITE A4+ Reaffirmed
Union Bank of India	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	7.00	ACUITE A4+ Reaffirmed
HDFC Bank Ltd	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	4.00	ACUITE A4+ Assigned
HDFC Bank Ltd	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.50	ACUITE BB Stable Downgraded (from ACUITE BB+)
Union Bank of India	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.00	ACUITE BB Stable Downgraded (from ACUITE BB+)
Union Bank of India	Not avl. / Not appl.	Secured Overdraft	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.00	ACUITE BB Stable Assigned

Contacts

Analytical	Rating Desk
Mohit Jain Senior Vice President-Rating Operations Tel: 022-49294017 mohit.jain@acuite.in Dheeraj Salian Associate Analyst-Rating Operations Tel: 022-49294065 dheeraj.salian@acuite.in	Varsha Bist Associate Vice President-Rating Administration Tel: 022-49294011 rating.desk@acuite.in

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité. Please visit <https://www.acuite.in/faqs.htm> to refer FAQs on Credit Rating.