DMR Builders Private Limited

August 8, 2022

Ratings

Instrument/ Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	32.50 (Enhanced from 24.00)	IVR BBB-/ Stable (IVR triple B minus with Stable outlook)	Reaffirmed	Simple
Short Term Bank Facilities	83.00 (Enhanced from 35.00)	IVR A3 (IVR A three)	Reaffirmed	Simple
Total	**115.50 (INR One hundred fifteen crore fifty lakhs only)**			

Details of Facilities are in Annexure 1

Detailed Rationale

The reaffirmation in the ratings assigned to the bank facilities of DMR Builders Pvt. Ltd. (DMRPL) continues to consider the improvement in the financial performance in FY22 (provisional). The ratings also take into account the long experience of promoters and established track record of operations, comfortable capital structure and debt protection metrics and healthy order book providing revenue visibility. The ratings, however, is constrained by susceptibility of operating margin to volatile input prices, high client concentration risks and exposure to intense competition and tender based nature of operations.

Key Rating Sensitivities:

Upward Factors

- Significant growth in scale of business with improvement in profitability metrics thereby leading to overall improvement in cash accruals and liquidity
- Improvement in the capital structure with improvement in debt protection metrics

Downward Factors

- Dip in operating income and/or profitability impacting the debt coverage indicators
- Any significant rise in working capital intensity or unplanned capex leading to a deterioration in the liquidity position

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Improvement in the financial performance in FY22 (provisional)

The topline of the company has almost doubled from Rs.105.36 crores in FY21 to Rs.202.85 crores in FY22 (provisional) on account of execution of existing orders and new orders received from various tendering authorities. Subsequently the profits also showed significant growth as the EBITDA margin improved from 10.30% to 11.33% and PAT margins improved from 5.04% to 6.38%.

Long experience of promoters and established track record of operations

The company was incorporated in 2000. It has an experience of more than two decades in the business of civil construction. Long experience of DMRPL's promoters and its established track record of operations strengthens the operational risk profile of the company. The company's day-to-day operations are looked after by Mr. Darshan Kumar Garg, along with a team of experienced professionals.

Comfortable capital structure and debt protection metrics

The company has a comfortable capital structure as reflected in overall gearing ratio of 1.69x and long-term debt equity ratio of 0.72x in FY2022(P). The Total outside liabilities to Tangible Net worth stood comfortable at 2.32x in FY2022. The debt protection indicators as marked by Total Debt/CGA stood at 3.92 years. The coverage indicators stood comfortable at 8.58 times in FY2022 increasing from 3.50 times in FY2021 on account of increase in the operating profits of the company.

Healthy order book providing revenue visibility

The company has unexecuted order book of Rs. 471.02 crore as on May 31,2022 which provides revenue visibility in the near to medium term. However, timely and effective execution of the orders are critical for the company's earnings.

Key Rating Weaknesses

Susceptibility of operating margin to volatile input prices

Major raw materials used in civil construction activities are steel & cement and in road construction activities are stone, asphalt/bitumen and sand which are usually sourced from large players/dealers at proximate distances. The raw material and labour (including subcontracting) cost forms the majority chunk of the total cost of sales for the last three years. As the raw material prices and labour (including sub-contracting) cost are volatile in nature, the profitability of the company is subject to fluctuation in raw material prices and labour (including sub-contracting) cost. However, presence of escalation clause (for raw materials) in most of the contracts protect the margin to an extent.

High client concentration risks

The company has high client concentration risk, with majority of revenues and order book contributed by few clients which depicts high client concentration risk, however, association with reputed client base, the counterparty risk reduces to a large extent.

Exposure to intense competition and tender based nature of operations

The firm is a civil contractor working on government tenders, as the entry barriers in the sector are low there are multiple players present thereby exposing the firm to intense competition. Additionally, as the firm acquires job works through tendering process, the exposure to intense competition mutes the bargaining power of the firm.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Infrastructure Companies](#)

[Financial Ratios & Interpretation (Non- Financial Sector)](#)

Liquidity: Adequate

The liquidity profile of company is expected to remain adequate with its satisfactory cash accruals vis a- vis its debt repayment obligations. The current ratio of the company was also comfortable at 1.30x as on March 31, 2022. However, the average cash credit utilisation of the company remained comfortable at ~77% during the past 12 months ended May 2022.

About the Company

Incorporated in 2000, DMR Builders Private Limited (DMR) is a civil contractor involved in the construction of bridges, roads, flyovers, highways and other civil work in Punjab. They also extending their geographical reach to various other states in India like Himachal Pradesh, Rajasthan, Orrisa, Maharashtra, and Meghalaya.

Financials (Standalone) **(Rs. crore)**

For the year ended* / As On	31-03-2021	31-03-2022
	Audited	Provisionals
Total Operating Income	105.36	202.85
EBITDA	10.86	22.98
PAT	5.31	12.94
Total Debt	10.12	62.90
Tangible Net worth	23.83	37.17
EBITDA Margin (%)	10.30	11.33
PAT Margin (%)	5.04	6.38
Overall Gearing Ratio (x)	0.42	1.69
Interest Coverage Ratio (x)	3.65	8.85

**Classification as per Infomerics' standards.*

Status of non-cooperation with previous CRA: Nil

Any other information: NIL

Rating History for last three years:

Sl.	Name of		Current Rating (Year 2022-23)	Rating History for the past 3 years

No.	Instrument/ Facilities	Type	Amount outstanding (Rs. crore)	Rating	Rating (Date of Rating: July 8, 2022)	Date(s) & Rating(s) assigned in 2021-22 October 18, 2021	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Cash Credit	Long Term	32.50	IVR BBB-/ Stable	IVR BBB-/ Stable	IVR BB+/ Stable		-
2.	Bank Guarantee	Short Term	83.00	IVR A3	IVR A3	IVR A4+		-

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About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/IRR	Maturity Date	Size of Facility (INR Crore)	Rating Assigned/ Outlook
Cash Credit-I	-	-	-	21.50	IVR BBB-/ Stable
Cash Credit-II	-	-	-	6.00	IVR BBB-/ Stable
Cash Credit-III	-	-	-	5.00	IVR BBB-/ Stable
Bank Guarantee-I	-	-	-	28.50	IVR A3
Bank Guarantee-II	-	-	-	29.50	IVR A3
Bank Guarantee-III	-	-	-	25.00	IVR A3

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details:

https://www.infomerics.com/admin/prfiles/Len-DMRPL-aug22.pdf

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable.

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.