Press Release

DMR Builders Private Limited

March 20, 2024

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	32.50	IVR BBB-/Stable (IVR Triple B Minus with Stable Outlook)	Rating upgraded and removed from Issuer not cooperating category	Simple
Long Term Bank Facilities	9.00	IVR BBB-/Stable (IVR Triple B Minus with stable outlook)	Assigned	Simple
Short Term Bank Facilities	3.00	IVR A3 (IVR A Three)	Rating upgraded and removed from Issuer not cooperating category	Simple
Long Term/Short Bank Term Facilities	36.75	IVR BBB-/Stable; IVR A3 (IVR Triple B Minus with stable outlook; IVR A Three)	Assigned	Simple
Long Term/Short Term Bank Facilities	80.00	IVR BBB-/Stable; IVR A3 (IVR Triple B Minus with stable outlook; IVR A Three)	Rating Upgraded and removed from Issuer not cooperating category	Simple
Total	**161.25 (Enhanced from Rs. 115.50 crores)**	**(Rupees One Hundred sixty-one crore and twenty-five lakhs only)**		

Details of Facilities are in Annexure 1

Detailed Rationale

Infomerics Ratings and Valuation Private Limited (IVR) has upgraded the long-term rating to IVR BBB- with a stable outlook and short-term ratings of IVR A3 for the bank loan facilities of DMR Builders Private Limited (DMR). The ratings have also been removed from Issuer non cooperating category. IVR has also assigned rating of IVR BBB- with stable outlook for the long-term enhanced facilities and IVR BBB- with stable outlook/ IVR A3 for the long term/short-term enhanced bank facilities of DMR.

The ratings were upgraded on account of experienced promoters and established track record of operations, continuous growing scale of operations along with healthy profitability. The ratings further take into account, moderate capital structure and debt protection metrics and healthy order book providing revenue visibility. However, these rating strengths are partially offset by susceptibility of operating margin to volatile input prices and exposure to intense competition and tender based nature of operations.

The 'Stable' outlook indicates a low likelihood of rating change over the medium term. m. IVR believes DMR's business risk profile will be maintained over the medium term.

IVR has principally relied on the audited financial results of the company up to March 31, 2023, and projected financials for FY2024-FY2026, and publicly available information/ clarifications provided by the company's management.

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 unplanned capex or significant rise in working capital intensity leading to deterioration in the liquidity position.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Long experience of promoters and established track record of operations

The company was incorporated in 2000. It has experience of more than two decades in the business of civil construction. The long experience of DMR' s promoters and its established track record of operations strengthens the operational risk profile of the company.

Continuous growing scale of operations along with healthy profitability

Total operating income witnessed a significant increase by 40.10% and stood at Rs.283.21 crore in FY23 compared to Rs.202.14 crore in FY22 driven by existing orders which were executed, and new tenders received from different govt agencies. With increase in scale of operations, the EBITDA improved and stood at Rs.33.77 crore in FY23 compared to Rs.20.49 crore in FY22, subsequently the EBITDA margins have also improved by 179 bps and stood at 11.92% in FY23(A) compared to 10.14% in FY22 on account of decline in raw material consumption cost. With improvement in EBITDA, the PAT of the company also improved from Rs. 11.78 crore in FY22 to Rs. 17.55 crore in FY23, subsequently the PAT margin of the company also improved by 37 bps and stood at 6.17% in FY23 compared to 5.80% in FY22, although there is increase in interest and finance cost during the year. The GCA of the company stood at Rs.21.68 crore in FY23 as against Rs.13.55 crore in FY22.

Moderate capital structure and debt protection metrics

The capital structure of the company stood moderate marked by overall gearing (including quasi-equity) of 1.41x as on March 31, 2023, improved from 1.64x as on March 31, 2022, on account of accretion of profits to the general reserve as well as due to consideration of unsecured loans to the tune of Rs. 1.68 crore as on March 31, 2023, as quasi-equity as the same are subordinate to bank debt. The TOL/TNW (including quasi-equity) stood at 2.47x as on March 31, 2023, deteriorated from 2.29x as on March 31, 2022, on account of higher utilization of working capital bank borrowings. The debt protection metrics of the company as marked by interest coverage ratio stood at 4.69x in FY23 deteriorated from 5.74x in FY22 on account of increase in interest and finance cost. Total debt to GCA remain moderate at 3.56x in FY23 compared to 4.52x in FY22.

Healthy order book provides revenue visibility.

The company has an unexecuted order book of Rs. 1151.09 crore as on December 31, 2023(4.06 times of FY2023 turnover), which provides revenue visibility in the near to medium term. However, timely and effective execution of the orders is critical for the company’s earnings.

B. 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 & labour (including subcontracting) cost forms the majority chunk of the total cost of sales for the last three years. As the raw material prices & labour (including sub-contracting) costs are volatile in nature, the profitability of the company is subject to fluctuation in raw material prices & labour (including sub-contracting) cost. However, the presence of an escalation clause (for raw materials) in most of the contracts protects the margin to an extent.

Exposure to intense competition and tender based nature of operations

The company 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 company to intense competition. Additionally, as the company acquires job works through tendering process, the exposure to intense competition mutes the bargaining power of the company.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Infrastructure Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Instrument/Facility wise Default Recognition & Post-Default Curing Period

Criteria for assigning Rating Outlook

Liquidity – Adequate

The liquidity profile of company is expected to remain adequate with satisfactory cash accruals vis a- vis its debt repayment obligations. The unencumbered cash and bank balance stood at Rs. 9.45 crore as on March 31, 2023, and Rs. 11.15 crore as on December 31, 2023. The current ratio of the company was also comfortable at 1.27x as on March 31, 2023. However, the average working capital utilisation of the fund-based limits stood at 87.48% during the past 12 months ended December 2023.

About the Company

Incorporated in 2000, DMR Builders Private Limited (DMRBPL) is a civil contractor involved in the construction of bridges, roads, flyovers, highways and other civil work in Punjab. They extend their geographical reach to various other states in India like Himachal Pradesh, Rajasthan, Orrisa, Maharashtra, and Meghalaya. DMRBPL's have been engaged in the business of civil construction for more than two decades. Long experience of DMRBPL'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. Rajinder Singh Brar, Mr. Sanket Garg and Mr. Anil Kumar Garg along with a team of experienced professionals.

Financials (Standalone):

(Rs. Crore)

For the year ended* / as on	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	202.14	283.21
EBITDA	20.49	33.77
PAT	11.78	17.55
Total Debt	61.20	77.12
Tangible Net Worth	37.29	54.85
Ratios		
EBITDA Margin (%)	10.14	11.92
PAT Margin (%)	5.80	6.17
Overall Gearing Ratio (x) (including quasi-equity)	1.64	1.41

**Classification as per Infomerics` standards*

Status of non-cooperation with previous CRA: Vide press release dated December 22, 2022, Brickworks Ratings have kept the ratings under non-cooperation category on account of non-submission of relevant information.

Any other information: Not Applicable

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 (Sep 01, 2023)	Date(s) & Rating(s) assigned in 2021-22 (Aug 08, 2022)	Date(s) & Rating(s) assigned in 2021-22(July 08,2022)
1.	Long Term Facilities	LT	41.50	IVR BBB-/ Stable	IVR BB+/ Negative (INC)	IVR BBB-/ Stable	IVR BBB-/ Stable
2.	Short Term Facilities	ST	3.00	IVR A3	IVR A4+(INC)	IVR A3	IVR A3
3.	Long Term/Short Term Facilities	LT/ST	116.25	IVR BBB-/Stable; IVR A3	-	-	-

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

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

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	41.50	IVR BBB-/Stable
Overdraft	-	-	-	3.00	IVR A3
Bank Guarantee	-	-	-	116.75	IVR BBB-/Stable; IVR A3

Annexure 2: List of companies considered for consolidated analysis: None.

Annexure 3: Facility wise lender details
https://www.infomerics.com/admin/prfiles/len-dmr-mar24.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.