



Press Release

DMR Builders Private Limited

October 18, 2021

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Ratings	Rating Action
1	Fund Based Limit-Long Term	24.00	IVR BB+/Stable (IVR double B plus with Stable outlook)	Assigned
2	Non-Fund Based-Short Term	35.00	IVR A4+ (IVR A four plus)	Assigned
	Total	59.00		

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to DMR Builders Private Limited (DMR) considers the experienced promoters with established track record, comfortable capital structure and debt protection metrics and healthy order book. However, the ratings are constrained by modest scale of operations, high client and geographical concentration risk, and intense competition and tender based nature of operations.

Key Rating Sensitivities:

Upward Factors

- Timely execution of pending orders, which will lead to a sustained growth in its top line along with cash accruals.

Downward Factors

- Delay in order execution leads to a significant decline in its revenue and/or profitability thereby impacting the debt coverage indicators and/or any deterioration in the financial risk profile
- Any significant rise in working capital intensity or unplanned capex leading to a deterioration in the liquidity position.



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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 an experience of more than two decades in the business of civil construction. Long experience of SIPL'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 0.42x and long-term debt equity ratio of 0.18x in FY2021. The Total outside liabilities to Tangible Net worth stood comfortable at 0.77x in FY2021 (1.45x in FY2020). The debt protection indicators as marked by Total Debt/CGA stood at 1.63 years. The coverage indicators stood comfortable at 3.50 times in FY2021 increasing from 2.33 times in FY2020 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. 536.83 crore as on October 1, 2021, which is 5x of FY2021 revenues, 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

- **Relatively modest scale of current operations**

The company's scale of operations continues to remain relatively modest, notwithstanding an increase to Rs. 105.36 crore in FY2021 from Rs. 52.68 crore in FY2020, registering a YoY growth of ~100% primarily on account of timely execution of the awarded contracts.



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- **High client and geographical 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. Moreover, the company's majority of the revenues and the current order book are concentrated in Punjab, which depicts high geographical concentration risk as well.

- **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 position of the company is adequate on account of the fact that the expected gross cash accruals of the company are likely to remain favorable relative to its debt-servicing obligations in the near term, at least. High average utilization of the fund-based working capital limit, cash margin on bank guarantee provided as performance security and retention money withheld by DMR's clients as per terms of the contracts lead to blockage of funds, to some extent. However, the entity does not have any major capital expenditure plan in the near to medium term. This is expected to support the company's liquidity position. Further, company has reported adequate current ratio at 2.53x as on March 31, 2021 to meet its near-term cash requirement.

About the Company



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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) :

For the year ended*/As on	31-03-2020	31-03-2021
	Audited	Audited
Total Operating Income	52.68	105.36
EBITDA	6.72	10.41
PAT	3.08	5.31
Total Debt	25.53	10.12
Tangible Net worth	19.45	23.83
EBITDA Margin (%)	12.85	9.92
PAT Margin (%)	5.84	5.04
Overall Gearing Ratio (x) on Book TNW	1.31	0.42

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Cash Credit	Long Term	24.00	IVR BB+ / Stable	-	-	-
2.	Bank Guarantee	Short Term	35.00	IVR A4+	-	-	-

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.

Name and Contact Details of the Rating Analyst:



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Name: Mr. Shivang Gupta

Tel: (011) 41410244

Email: shivang.gupta@infomerics.com

Name: Mr. Sandeep Khaitan

Tel: (033) 46022266

Email: sandeep.khaitan@infomerics.com

About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine-tune its product offerings to best suit the market.

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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 - I	-	-	-	21.50	IVR BB+/ Stable
Cash Credit - II	-	-	-	2.50	IVR BB+/ Stable
Bank Guarantee - I	-	-	-	17.50	IVR A4+
Bank Guarantee - II	-	-	-	17.50	IVR A4+

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



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Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/DMR-Builders-lenders-oct21.pdf>

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

Annexure 5: Complexity level of the rated Instruments/Facilities

Sr No.	Instrument	Complexity Indicator
1.	Cash Credit	Simple
2.	Bank Guarantee	Simple

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.

