



## Rating Rationale

### Mega Construction Company

August 11, 2017

**Brickwork Ratings upgrades/reaffirms the ratings for the Bank Loan Facilities of ₹13.5 Crs of Mega Construction Company.**

#### Particulars

Facility	Previous Limits (₹ Crores)	Present Limit (₹ Crores)	Tenure	Previous Rating (May 2016)	Present Rating
<u>Fund Based</u> <b>SOD</b>	3.00	<b>3.00</b>	<b>Long Term</b>	BWR B+ (Outlook: Stable)	<b>Upgraded to BWR BB-</b> (Outlook: Stable)
<u>Non-Fund Based</u> <b>Letter of Credit</b>	0.50	<b>0.50</b>	<b>Short Term</b>	BWR A4	<b>Reaffirmed at BWR A4</b>
<b>Bank Guarantee</b>	10.00	<b>10.00</b>			
<b>Total</b>	13.50	<b>13.50</b>	<b>INR Thirteen Crores and Fifty Lakhs Only</b>		

<sup>1</sup>Please refer to BWR website [www.brickworkratings.com](http://www.brickworkratings.com) for definition of the rating assigned

#### Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financial results of Mega Construction Company up to FY17 and information and clarifications provided by the Firm.

The rating has been upgraded due significant increase in revenue and improved profit margin, comfortable gearing level and debt protection metrics and factors continues to support from promoters experience in the civil contracts business, healthy relationship with the customers. However, the rating is constrained by modest scale of operations, fluctuating revenue due to tender based orders, geographic and constitution risk, competitive and inherent risk associated with the construction industry.

Going forward, the ability of the Firm to continue to enhance its scale of operations, improve profitability and efficient management of working capital cycle shall be the key rating sensitivities.

#### Rating Outlook: Stable



BWR believes the Mega Construction Company's business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins are lower than expected figures.

### About the Firm

Mega Construction Company (MCC), a partnership concern was established on 20th Feb 2002. Promoted by, Mr. Vijender Reddy and his wife Mrs. T Jyothi. The firm's office is located at Hyderabad, Telangana. The firm executes civil works for various government departments viz. Roads & Bridges, Irrigation & CAD, Panchayat Raj, Irrigation, Tribal Welfare departments and Railways. The firm undertakes only irrigation and road works in Andhra Pradesh and Telangana States.

### Firm's Financial Performance

As per provisional FY17, Net sales from operations was at ₹66.48 crores in FY17 against ₹23.14 crores in FY16. The net profit of the concern was at ₹3.36 crores in FY17 as against ₹0.74 crores in FY16.

### Rating History for the last three years (including withdrawn/suspended ratings)

Instrument/ Facility	Current Rating (2017)			Rating History		
	Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2016	2015	2014
<b>Fund Based</b>	Long Term	<b>3.00</b>	<b>BWR BB-</b>	<b>BWR B+</b>	-	<b>BWR B+</b>
<b>Non Fund Based</b>	Short Term	<b>10.5</b>	<b>BWR A4</b>	<b>BWR A4</b>		<b>BWR A4</b>



## Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Infrastructure Sector](#)

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### Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).

### About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, has also been accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a Nationalized Bank, as its promoter and strategic partner.

BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

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