

Brickwork Ratings upgrades the ratings for the Bank Loan Facilities of ₹. 27.99 Crores of AK Construction Company.

Particulars

Facility	Previous Amount (₹ Crs)	Amount (₹ Crs)	Tenure	Previous Rating (December, 2017)	Rating*
Fund based Cash Credit Overdraft Term Loan	8.00 4.50 0.90	8.00 4.50 0.49	Long Term	BWR BB- Outlook: Stable	BWR BB (Pronounced as BWR Double B) Outlook: Stable (Upgrade)
Non Fund Based Bank Guarantee	15.00	15.00	Short Term	BWR A4	BWR A4+ (Pronounced as BWR single A four)
Total	28.40	27.99	INR Twenty Seven Crores Ninety Nine Lakhs Only/-		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR principally relied upon the audited financial results upto FY18, projections for the financials FY19 and FY20, the information and documents provided by the client, as well as the publicly available information.

The company draws rating strength from experienced management, continuous infusion of capital, comfortable financial risk profile, stable liquidity position and moderate debt protection metrics. The rating is however constrained by moderate scale of operations, concentration risk and competition from several small and big players.

Description of Key Rating Drivers :-

Credit Strengths:

- **Experienced Management Committee :-** Management of the company is having more than two decades of experience and are having well established relationship with the government departments. Also, the promoters understand the business very well which will help the company to get more and more business successfully. Going forward, the ability of the company to expand

and increase its scale of operations and diversify its customer base will be the key rating sensitivities.

- **Continuous Infusion of capital :-** There has been continuous infusion of capital over the years. The core capital rose from Rs. 5.39 crs. in the FY16 (Audited) to Rs. 12.30 crs. in the FY18 (Audited).
- **Comfortable Financial Risk Profile :-** We can see that the leverage ratio (Total Debt/ TNW) has remained the same i.e 1.87 in both the years. We can also see a fall in the overall Gearing ratio (TOL/ TNW) from 2.42 in the FY17 (Audited) to 2.12 in the Fy18 (Audited). The company has moderate profitability margins, with Operating profit Margins of 9.02 and Net profit Margin of 5.30 in the FY18 (Audited).
- **Comfortable Liquidity position :-** The current ratio of the company as per FY18 (Audited) stands at 1.94 times, which indicates that the company has enough short term assets to meet its short term liabilities.
The conversion cycle of the company is negative and stands at -50 days, thereby indicating that the company is being paid by its customers, long before they have to pay to its suppliers, thereby, enhancing the liquidity of the company.
- **Moderate debt protection metrics :-** The company has a moderate debt protection metric with DSCR and ISCR of 1.67 and 2.23 in the FY18 (Audited).

Credit risks:

- **Growing but moderate scale of operations :-** Although the turnover of the company has increased from Rs. 40.03 crs. in the FY16 (Audited) to Rs. 76.80 crs. in the FY18 (Audited), the scale of operations continues to be moderate.
- **Concentration Risk :-** The company is majorly working with Govt Departments and a few PSUs and receives orders on tender basis which exposes it to concentration risk and risk of tender based business.
- **Fragmented and Unorganised Sector :-** The civil construction sector is marked by the presence of several mid to big sized players. The company faces huge competition from other players.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

Rating Outlook: Stable

BWR believes the **AK Construction Company** 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 show lower than expected figures.



About the Company

M/s A K Construction Company is a partnership firm established by Pathak Family in 2010 and since then the company is engaged in the business of civil construction. The company is based out in Varanasi, Uttar Pradesh and is majorly into road construction and undertakes projects of Government Departments, like PWD, PMGSY and a few PSUs

Company Financial Performance

Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type		(Audited)	(Audited)
Operating Revenue	₹ Cr	76.80	59.21
EBITDA	₹ Cr	6.93	4.34
PAT	₹ Cr	4.07	1.95
Tangible Net worth	₹ Cr	16.37	10.84
Total Debt/Tangible Net worth	Times	1.87	1.87
Current Ratio	Times	1.94	1.62

Rating History for the last three years

S.No	Instrument /Facility	Current Rating			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	December, 2017	December, 2016	FY15
	Fund Based	Long Term	12.99	BWR BB (Outlook: Stable) (Upgrade)	BWR BB- Outlook: Stable	BWR BB- Outlook: Stable	N/A
	Non Fund Based	Short Term	15.00	BWR A4+	BWR A4	BWR A4	
	Total		27.99	INR Twenty Crores Ninety Nine Lakhs Only			



Hyperlink/Reference to applicable Criteria

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

For any other criteria obtain hyperlinks from website

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For print and digital media

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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 Investors queries can be sent to info@brickworkratings.com.

About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, 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 leading public sector 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, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.



DISCLAIMER

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