



Rating Rationale

A K Construction Company

December 13th, 2017

Brickwork Ratings reaffirms ratings for the Bank Loan Facilities of A K Construction Company.

Particulars

Facility	Tenure	Previous Amount	Current Amount	Previous Rating	Rating Assigned
Cash Credit	Long Term	5.00	8.00	BWR BB- (Pronounced as BWR Double B Minus) Outlook: Stable	BWR BB- (Pronounced as BWR Double B Minus) (Reaffirmed) Outlook: Stable
OD		4.50	4.50		
Term Loan		1.34	0.90		
Bank Guarantee	Short Term	15.00	15.00	BWR A4 (Pronounced as BWR Single A Four)	BWR A4 (Pronounced as BWR Single A Four) (Reaffirmed)
Total		25.84	28.40	Rupees Twenty Eight Crore and Forty Lakhs only	

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

Rating Reaffirmed.

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financial results up to FY17, projected financials up to FY19, publicly available information and information / clarifications provided by the company.

The ratings continue to draw comfort from the extensive experience of the partners in the business, infusion of funds by partners in FY17, comfortable leverage ratio and profitability margins. The rating is, however, constrained by small scale of operations, moderate debt protection metrics and concentration risk as the company is majorly undertaking projects for government departments.

Credit Strengths:

- **Experience of partners:** The directors of the company have vast experience of more than 2 decades in the line of business.

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- **Infusion by partners:** The partners have increased the equity from Rs. 6.40 Cr in FY16 to Rs. 10.84 Cr in FY17. Owing to the same, the leverage ratio has also improved from 3.71 times in FY16 to 1.87 times.
- **Comfortable Profitability Margins:** The NPM and OPM are at a comfortable level and have improved further in FY17 to 3.30% and 7.33% from 2.54% and 6.56% in FY16, respectively.

Credit Weaknesses:

- **Small Scale of operations:** Although the company is in the line of business from quite a long time, the scale of operations is still small.
- **Moderate Debt Protection Metrics:** The ISCR and DSCR are at a below average level of 1.56 times and 1.10 times in FY17, respectively. Although the same have improved from 1.32 times and 0.82 times in FY16.
- **Concentration risk:** The company is majorly working with PSUs and orders are received on tender basis which exposes it to the risk of uncertainty associated with tender based business.

Rating Outlook: Stable

BWR believes the A K 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 show lower than expected figures.

About the Company

A K Infraprojects Pvt Ltd was promoted by Pathak Family in 2008 and since then the company is engaged in the business of civil construction. The company is based in Varanasi, Uttar Pradesh. The company is majorly into road construction work. The company is undertaking projects from govt. departments like PWD, PMGSY etc and from PSUs like SAIL.

Company Financial Performance

	Unit	FY16 (Aud)	FY17 (Aud)
Net Sales/Revenues	Rs. in Cr	40.03	59.21
EBIDTA	Rs. in Cr	2.63	4.34
PAT	Rs. in Cr	1.02	1.95
Partner's Capital	Rs. in Cr	6.4	10.84
Total Debt : Partner's Capital	Times	3.71	1.87
Current Ratio	Times	1.75	1.62

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

S.No.	Instrument/ Facility	Current Rating (Year 2017)			Rating History		
		Type	Amount (Rs Crs)	Rating	2016	2015	2014
1	Cash Credit	Long Term	8	BWR BB- Outlook : Stable Reaffirmed	BWR BB-	NA	NA
2	OD		4.5				
3	Term Loan		0.9				
4	Bank Guarantee	Short Term	15	BWR A4 Reaffirmed	A4	NA	NA
Total			Rs.28.40 Crores	(Rupees Twenty Eight Crore Forty Lakhs only)			

Status of non-cooperation with previous CRA (if applicable) – NA
Any other information – NIL

Hyperlink/Reference to applicable Criteria

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

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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, 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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