

Rating Rationale

Brickwork Ratings assigns the rating to the Bank Loan Facilities aggregating to ₹ 25.84 Cr of A K Construction Company

Brickwork Ratings has assigned following **Rating¹** for the Bank Loan Facilities of **A K Construction Company** (AKCC or the “**Firm**”):-

Facility	Existing Limits(Cr.)	Tenure	Rating Assigned
Fund Based			
Cash Credit(BD)	5.00	Long Term	BWR BB- Pronounced BWR Double B Minus Outlook: Stable
OD against tangibles	4.50		
TL	1.34		
Non Fund Based			
ILG	15.00	Short Term	BWR A4 (Pronounced BWR A Four)
Total	25.84		

BWR has essentially relied upon audited financial results of A K Construction Company upto FY16 and projected financials for FY18, publicly available information and information provided by the management.

The rating has, inter alia, factored in the experienced management, improvement in profitability margins and comfortable liquidity position. The rating is, however, constrained by decline in sales, high leverage levels and weak debt protection metrics.

Background:

M/s A K Construction Company is a partnership firm established by Pathak Family in 2010 and since then the firm is engaged in the business of civil construction. The firm is based out of Varanasi, Uttar Pradesh.

The firm is undertaking projects from govt. departments like PWD, PMGSY etc and from PSUs like Sail. Major portion of the firm's revenue comes from road construction.

Financial-Performance:

As per the audited financials for FY16, AKCC's gross sales from operations stood at Rs. 40.03 Crs. against Rs. 68.59 Crs. in FY15. Profit after tax for the firm stood at Rs. 1.02 Crores in FY16 against Rs. 0.53 Crs. Firm's Capital stood at Rs. 6.40 Crs. as on 31st March 2016. Operating profit margin & net profit margin for the firm stood at 6.56% & 2.54% respectively in FY16 against 3.03% and 0.77% respectively in FY15. Current ratio for the firm stood at 1.75 times in FY16.

Rating-Outlook:

The rating outlook is expected to be stable over the current year. Going forward scaling up of

¹ Please refer to www.brickworkratings.com for definition of the Ratings

business, meeting projections, and ensuring timely service of debt would be the key rating sensitivities.

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