

Rating Rationale

ARK Builders

25Jun2019

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹. 20.00 Crores of ARK Builders.

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Mar, 2018)	Present
Fund based	10.00	10.00	Long Term	BWR BB- (BWR Double B minus) Outlook: Stable	BWR BB- (BWR Double B minus) Outlook: Stable Reaffirmed
Non Fund Based	10.00	10.00	Short Term	BWR A4 (BWR A Four)	BWR A4 (BWR A Four) Reaffirmed
Total	20.00	20.00	INR Twenty Crores Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
Complete details of Bank facilities is provided in Annexure-I

Ratings: Reaffirmed

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financial results till FY18, provisional financial statements, publicly available information and information/clarification provided by the client.

The ratings assigned to ARK Builders draws strength from the experience of the partners, vintage of the firm and improvement in profit generation.

The rating is, however, constrained by small scale of operations, stretched liquidity, constitution of the organisation, order book concentration risk and exposure to regulatory risks.

Going forward, the ability of the business to increase its scale of operations, improve profitability margins and liquidity status would be the key rating factors for the rating of the business.



Description of Key Rating Drivers

- **Credit Strengths:**

ARK Builders, a partnership firm, was established in 1989 and has a vintage of 30 years in the industry. The partners, Mr. G Ram Reddy and Mrs. G Sarala, also have an experience of more than three decades in the same line of business. Operating income of the firm increased from Rs. 22.08 Crs to Rs. 33.79 Crs in FY18. The profit generation of the firm has also been gradually increasing. PAT increased from Rs. 0.61 Crs to Rs. 0.94 Crs in FY18.

- **Credit Risks:**

The organisation, being a partnership firm, is exposed to the risk of capital withdrawal by the partners of the firm. With a revenue of Rs. 33.79 Crs, the firm is operating on a small scale, given its 30 year vintage. The firm is also exposed to a concentration risk as two of their projects which are for ITC Ltd and TATA Boeing Aerospace Ltd, have a value worth 70% of their total order book position. Stretched liquidity with net cash accruals/total debt at 0.11 times and current ratio at 1.29 times in FY18.

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 **ARK Builders** 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

ARK Builders is a partnership firm established in April, 1989 mainly engages in the Civil Construction business located in Hyderabad- Telangana. The firm set up by Mr G Ram Reddy and Mrs G Sarala who are the sole partners of the firm. They have a profit sharing ratio of 1:1, i.e. profits are divided equally. The ARK group has a joint venture by the name - ARK Infra Terminus, with ARK Infra Developers Pvt Ltd for the construction of their new project - ARK Hampton. Amongst most recent notable townships are ARK homes, ARK Serene County, ARK Cloud City and ARK Eternal Springs.

Company Financial Performance

The firm generated a revenue of Rs. 33.79 Crs and a profit of Rs. 0.94 Crs in FY18 where as in FY17 it generated a revenue of Rs. 22.08 Crs and a profit of Rs. 0.61 Crs. Tangible net worth of the unit increased to Rs. 9.75 Crs in FY18 from Rs. 9.42 Crs in FY17.

Rating History for the last three years

S.No	Facility	Current Rating			Rating History
		Type	Amount (₹ Crs)	Rating	01.03.18
	Fund Based	Long Term	10.00	BWR BB- (BWR Double B minus) Outlook: Stable Reaffirmed	BWR BB- (BWR Double B minus) Outlook: Stable
	Non Fund Based	Short Term	10.00	BWR A4 (BWR A Four) Reaffirmed	BWR A4 (BWR A Four)
	Total		20.00	₹ Twenty Crores Only	

Status of non-cooperation with previous CRA (if applicable)- NA

Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type		Audited	Audited
Operating Revenue	₹ Cr	33.79	22.08
EBITDA	₹ Cr	3.95	3.19
PAT	₹ Cr	0.94	0.61
Tangible Net worth	₹ Cr	9.75	9.42
Total Debt/Tangible Net worth	Times	1.18	1.05
Current Ratio	Times	1.29	1.53

Hyperlink/Reference to applicable Criteria

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