



Rating Rationale

ARK Builders

01 March 2018

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

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based Overdraft	10.00	Long Term	BWR BB- (BWR Double B Minus) Outlook: Stable Assign
Non Fund Based Bank Guarantee	10.00	Short Term	BWR A4 (BWR A Four)
Total	20.00	INR Twenty Crores Only	

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

Rating Assigned

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financial statements up to FY17, and publicly available information and information/clarifications provided by the Company.

The assigned rating favourably factors the promoters experience in in executing civil Constructions sector, increased revenue , low gearing level and increased net profit margin. However the ratings are, primarily constrained by small scale of operations, declined operating profitability margin, highly competitive industry, working capital intensive nature of operations, Inherent risk as partnership nature of the firm

Going forward, ability of the firm to increase the revenues and profitability, timely execute its projects on hand and ensure to secure fresh projects and improve the overall financial performance including net -



worth including networth and effectively manage its working capital limits efficiently would be the key rating sensitivities.

Description of Key Rating Drivers

- **Credit Strengths:** Promoters have average experience of about 3 decades , revenue increased to Rs.22.08 Crs in FY17 from Rs.9.59 Crs in FY16 and gearing is @1.05 times, Net profit margin increased to 2.78 times in FY17 from 1.52 times in FY16
- **Credit Risks:** Scale of operations with revenue of Rs.22 Crs in FY17, in FY17 and Operating profitability margin declined to 14.43% in FY17 from 20.18% in FY16.

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 Firm

ARK Builders is a partnership firm established on 01.04.1989 engaged in Civil Construction business located in Hyderabad, Telangana. The firm set up by Mr G Ram Reddy and Mrs G Sarala as a Partners and having 50% of profit sharing each.

The firm is having a group company namely ARK INFRA DEVELOPERS PRIVATE LIMITED Incorporated in 2010 engaged in residential, commercial real estate developer . The company is promoted by Mr G Ram Reddy and Mrs G Sarala are the Directors of the Company.

Financial Performance

As per audited financial of FY17, the Company has reported EBITDA Rs.3.19 Crs and PAT Rs.0.61 Crs on total operating income of Rs.22.08 Crs as against EBITDA Rs.1.93 Crs and PAT Rs.0.15 Crs on total operating income of Rs.9.59 Crs in FY16. As on 31/03/2017 the firm's networth is Rs.9.42 Crs, gearing



@1.05 times, Net Profit Margin, Operating Profit Margin, and Current Ratio have been recorded at 2.78 %, 14.43 %, 1.53 times respectively in FY17.

Rating History for the last three years

S.No	Instrument /Facility	Current Rating (2018)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2017	2016	2015
1	Fund Based Overdraft	Long Term	10.00	BWR BB- (BWR Double B Minus) Outlook: Stable Assign	Not rated	Not rated	Not rated
2	Non Fund Based Bank Guarantee	Short Term	10.00	BWR A4 (BWR A Four)			
Total			20.00	₹ Twenty Crores Only			

Status of non-cooperation with previous CRA (if applicable)-Reason and comments: NIL

Any other information: NA

Key Financial Indicators

Key Parameters	Units	2017	2016
Result Type			
Operating Revenue	₹ Cr	22.08	9.59
EBITDA	₹ Cr	3.19	1.93
PAT	₹ Cr	0.61	0.15
Tangible Net worth	₹ Cr	9.42	8.92
Total Debt/Tangible Net worth	Times	1.05	1.00
Current Ratio	Times	1.53	2.20



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, 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 ₹ 10,00,000 Cr. In addition, BWR has rated over 6300 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹24,440 Cr have been rated.

DISCLAIMER

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