



## Rating Rationale

31Oct2018

A. S. Patel

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 21.00 Crores of A. S. Patel.

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## Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based	4.00	Long Term	BWR BB- (Pronounced as BWR Double B Minus) Outlook : Stable
Non Fund Based	17.00	Short Term	BWR A4 (Pronounced as BWR A Four)
Total	21.00	INR Twenty One Crores Only	

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

**Long term and Short term rating assigned.**

### **Rationale/Description of Key Rating Drivers/Rating sensitivities:**

BWR has principally relied upon the audited financials upto FY18, Projected/estimated financials upto FY20 of A. S. Patel ( or 'the firm') and information /clarifications provided by the firm's management.

The rating derives strength from long track record of promoters in road construction contracts with Govt. of Gujarat and reputed client portfolio of local bodies. However, the rating continues to remain constrained on account of its financial risk profile marked by low scale of operations and thin profit margins, and working capital intensive nature of operation. Further, The rating also continue to remain constrained owing to proprietorship nature of constitution, susceptibility of operating margins due to small size projects and highly competitive road construction industry.



## Description of Key Rating Drivers

### Credit Strengths:

- **Experienced Promoter** : The promoter Mr.Amrut Patel has long track record since 1982 in the construction of road sector with having Status of “AA” class contractor with Government of Gujarat.
- **Improved Revenue : & Healthy Book order position** : The firm has already achieved the revenue of Rs. 37.53 Crs against Rs. 25.12 Crs in FY17. The firm has healthy order book position of Rs. 58.02 crore providing increased revenue visibility for FY19.
- **Comfortable Liquidity** : Current Ratio is 1.80 in FY18 and utilization of working capital utilization remained between 80-90%.

### Credit Risks:

- **Tender driven nature of business** : Execution risks for newly awarded projects in a timely manner will be key to achieving growth in revenues and profits. Business certainty is dependent on the firm's ability to successfully bid for the tenders as entire business is tender based.
- **High gearing & Low tangible networth** : Debt/TNW is 2.18 & TOL/TNW is 2.10 in FY18, which is slightly improved as compared to FY17. TNW is low at Rs. 4.28 Crs in FY18.
- **Vulnerability of profitability**: Profit margin has reduced from 3.01% in FY17 to 2.66% in FY18, due to price variations in steel, cement, bitumen and small size projects.
- **High competition** : Working capital-intensive nature of operations and high competition in the fragmented road construction sector.
- **Geographical concentration risk**: The firm’s operation is limited to Sabarkantha, Panchmahar & Aravalli District of Gujarat State.

## 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 **A. S. Patel** 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

A. S. Patel is a Modasa, Gujarat based proprietorship firm established in 1982 by Mr. Amrutbhai Patel for execution of government tendered civil construction contracts of roads and buildings for various state government departments. . It is registered as ‘AA’ class approved contractor by Government of Gujarat and is primarily. The firm has done constructions in Sabarkantha, Panchmahal & Aravalli District of Gujarat state.

## Firm Financial Performance

The firm has achieved the revenue of Rs. 37.53 Crs in FY18 as compare to Rs. 25.12 Crs in FY17. Net profit though thin at absolute levels has maintained the margins at ~ 3.01% & 2.66% for FY17 and FY18 respectively.

In FY19, the firm has received work orders of Rs. 58.02 Crs out of which completed work is Rs. 23.39 Crs till 15th October, 2018.

### Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type		Audited	Audited
Operating Revenue	₹ Cr	37.53	25.12
EBITDA	₹ Cr	2.43	1.44
PAT	₹ Cr	1.01	0.77
Tangible Net worth	₹ Cr	4.28	3.76
Total Debt/Tangible Net worth	Times	2.18	2.33
Current Ratio	Times	1.80	1.61

### Rating History for the last three years

S.No	Instrument /Facility	Current Rating (2018)			Rating History		
		Type	Amount (₹ Crs)	Rating	2017	2016	2015
1	Fund Based Cash Credit Limit	Long Term	4.00	BWR BB- (Pronounced as BWR Double B Minus) Outlook : Stable	NA	NA	NA
2	Non Fund Based Bank Guarantee	Short Term	17.00	BWR A4 (Pronounced as BWR A Four)	NA	NA	NA
<b>Total</b>			<b>21.00</b>	<b>INR Twenty One Crores Only</b>			

Status of non-cooperation with previous CRA (if applicable)- Not Applicable

### Hyperlink/Reference to applicable Criteria

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

For any other criteria obtain hyperlinks from website

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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](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto: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. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 13,22,500 Cr. In addition, BWR has rated over 7000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹62,000 Cr have been rated.

BWR has rated over 30 PSUs/Public Sector banks, as well as many major private players. BWR has a major presence in ULB rating of nearly 102 cities

**DISCLAIMER**

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