



RATING RATIONALE

10 Feb 2020

Abdul Kalam Azad

Brickwork Ratings Reaffirms the ratings for the enhanced Bank Loan Facilities of ₹ 21.00 Crores of Abdul Kalam Azad

Particulars:

Facilities**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (May, 2019)	Present
Fund based:					
Cash credit	6.00	8.00	Long Term	BWR BB- Stable/ Issuer Non Cooperation	BWR BB- Stable (Reaffirmation)
Non Fund based:					
Bank Guarantee	10.00	13.00	Short Term	BWR A4/ Issuer Non Cooperation	BWR A4 (Reaffirmation)
Total	16.00	21.00	INR Twenty One Crores Only		

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

** Details of Bank facilities is provided in Annexure - I

RATING ACTION / OUTLOOK

Brickwork Ratings reaffirms the ratings from BWR BB-/ A4 Stable Issuer Non Cooperation to BWR BB-/A4 Stable for the enhanced bank loan facilities of Rs. 21.00 crs of M/s. Abdul Kalam Azad.

BWR has essentially relied upon the firm's audited financial results up till FY19, projections for FY20 & FY21 and publicly available information and clarifications provided by the management.

KEY RATING DRIVERS

The rating has inter-alia, factored experience of the proprietor in the civil construction industry for more than a decade, established track record, comfortable liquidity position, existing work



orders on hand and ability to meet competition from many small & medium units in the region. However, the ratings are constrained by stagnant revenue and profitability level, increase in gearing level and working capital intensive nature of operations.

- **Credit Strengths:**

Management experience in the relevant industry: Mr. Abdul Kalam Azad is a Class I contractor and has business experience of more than 15 years in the relevant industry. He is assisted by a team of qualified personnels

Improved Net worth: Net worth of the firm for FY19 was at Rs. 11.99 crs as against Rs. 10.58 crs in FY18

Existing Work contract: As per the management, it has estimated government based works contract in and around the region of Rs. 124.63 crs for FY20

Financial risk profile: Average receivable for 3 audited financial years was at 37 days with cash conversion cycle of -51 days and liquidity position was comfortable with current ratio at 1.70 times for FY19

- **Credit Risks:**

Stagnant revenue and profitability level: Revenue and profitability level from works contract for FY19 has been stagnant, it stood at Rs. 47.38 crs while, PAT was at Rs. 2.00 crs as compared to Rs. 50.54 crs and Rs. 2.43 crs in FY18. However, Gross receipts of the firm from April till October 2019 was estimated at Rs. 25.96 Crs

Increased gearing level of the firm for FY19: Debt Equity ratio for FY19 was at 2.24 times as against 1.43 times in FY18; this is mainly due to increase in the total debt obligation during the year

Reduced Debt protection matrix: There has been a decline in debt protection matrix for FY19, with ISCR at 2.02 times and DSCR at 1.38 times as against 2.73 times & 1.86 times for FY18 and 3.39 times & 3.10 times for FY17 respectively

High competition from many small and medium players in and around the region: The firm faces high competition from many small and medium players in the relevant industry



ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

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 SENSITIVITIES

Going forward the ability of the company to increase its scale of operation, to improve its revenue and profitability margin, to reduce its debt equity ratio and to manage its working capital efficiently will be the key rating sensitivities.

LIQUIDITY POSITION

Liquidity position of the firm was comfortable with the current ratio at 1.70 times for FY19. Average receivable for 3 audited financial years was 37 days with a cash conversion cycle of -51 days.

BUSINESS PROFILE

M/s. Abdul Kalam Azad was established as a proprietary concern in 2001 at Thirthahalli, Shimoga District of Karnataka. Mr. Abdul Kalam Azad, proprietor is a Class-I civil contractor. The firm is engaged in executing tender based civil construction projects like road construction projects, expansion and maintenance work, rural road development work etc. and bridge construction. The projects are mainly tender based Government projects within the state of Karnataka. Major list of clientele of the company includes National Highways Authority of India (NHAI), Karnataka Public Works, Ports and Inland Water Transport Department(KPWD), etc. The firm has employed currently 33 nos permanent employees and 15 nos of hired labour. As per the management, major work orders in progress for FY 20 was estimated at Rs. 124.63 crs.

KEY FINANCIAL INDICATORS (in ₹ Cr)

Key Parameters	Units	FY19	FY18
Result Type		Audited	Audited
Operating Revenue	₹ Crs	47.38	50.54
EBITDA	₹ Crs	4.24	5.55

PAT	₹ Crs	2.00	2.43
Tangible Net worth	₹ Crs	11.99	10.58
Total Debt/Tangible Net worth	Times	2.24	1.43
Current Ratio	Times	1.70	1.13

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY : None

RATING HISTORY

Facilities	Current Rating (2020)			Rating History		
Fund Based	Tenure	Amount (₹ Cr)	Rating	FY19	FY18	FY17
Cash credit	Long term	8.00	BWR BB- stable (Reaffirmation)	BWR BB- stable Issuer Non Cooperation	BWR BB- stable	BWR BB- stable
Bank Guarantee	Short term	13.00	BWR A4 (Reaffirmation)	BWR A4 Issuer Non Cooperation	BWR A4	BWR A4
Total		21.00	INR Twenty One Crores Only			

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Service Sector](#)
- [Short Term Debts](#)

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Abdul Kalam Azad

ANNEXURE I

Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facility	Tenure	Total (₹ Cr)
1	Canara Bank	Cash credit	Long term	8.00
2		Bank Guarantee	Short term	13.00
TOTAL				21.00

Total Rupees Twenty Crores only.

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