

Rating Rationale

Abdul Kalam Azad

19th April 2017

Brickwork Ratings revises the ratings for the Bank Loan Facilities of Abdul Kalam Azad

Particulars

Facility Rated	(Rs. Crs)		Tenure	Rating *	
	Previous	Present		Previous	Present
Fund Based					
Cash Credit	5.00	5.00	Long Term	BWR B+ (Pronounced as BWR B Plus) Outlook: Stable	BWR BB- (Pronounced as BWR Double B Minus) Outlook: Stable
Non Fund Based					
Bank Guarantee	0.00	7.00	Short Term	Not Assigned	BWR A4 (Pronounced as BWR A Four)
Total	5.00	Rs. 12.00 Crores (Rupees Twelve Crores Only.)			

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

Rating: Long Term Rating Upgraded/Short Term Rating Assigned

Brickwork Ratings upgrades the long term rating to 'BWR BB-' and assigns the short term rating of 'BWR A4' to the bank loan facilities of Rs. 12.00 Crores of Abdul Kalam Azad.

Rationale/Description of Key Rating Drivers/Rating sensitivities:

The rating has factored, inter alia, promoters' extensive experience in civil construction line of business, existence of the firm for 16 years and revenue growth. However the rating is constrained by highly working capital intensive nature of business and inherent risk associated with tender based projects. The ability of the firm to scale up its operations and to improve its profit margin in an intensely competitive industry will remain the key rating sensitivities.



Rating Outlook: Stable

BWR believes that the business risk profile of Abdul Kalam Azad 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

Abdul Kalam Azad is a proprietary concern, established in 2001 and based in Thirthahalli, in Shimoga District of Karnataka. Mr. Abdul Kalam Azad is the proprietor of the firm. The firm is a Class-I civil contractor. The firm is engaged in executing tender based civil construction projects such as Road Construction Projects (i.e. National Highway construction work , road expansion and maintenance work, rural road development work, etc.), Bridge Construction Projects. Major clients of the firm includes National Highways Authority of India (NHAI), Karnataka Public Works, Ports and Inland Water Transport Department (KPWD), etc.

Firm's Financial Performance

Total operating income of the firm has increased from ₹ 16.20 Cr in FY15 to ₹ 31.62 Cr in FY16. The firm has reported operating profit margin of 11.46% and net profit margin of 4.80% in FY16 as against operating profit margin of 14.39% and net profit margin of 5.54% in FY15. The debt to tangible net worth of the firm was 0.70 times in FY16 as against 1.33 times in FY15. The tangible net worth of the firm stood at ₹ 7.17 Cr as on March 31, 2016.

Rating History for the last three years: (including withdrawn/suspended ratings)

Sl. No.	Instrument/Facility	Current Rating (Year 2017)			Rating History		
		Type	Amount (Rs. Crs)	Rating	Jan 25, 2016	2015	2014
1	Cash Credit	Long Term	5.00	BWR BB- (Outlook: Stable)	BWR B+ (Outlook: Stable)	-	-
2	Bank Guarantee	Short Term	7.00	BWR A4	Not Assigned	-	-

Hyperlink/Reference to applicable Criteria

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



- [Manufacturing Companies](#)
- [Short Term Debt](#)

For any other criteria obtain hyperlinks from website

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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 ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 cities.

DISCLAIMER

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.