

Rating Rationale

Abdul Kalam Azad

15 March 2018

Brickwork Ratings reaffirms the long term rating and short term rating for the Bank Loan Facilities of Rs. 16.00 Crs of Abdul Kalam Azad.

Particulars

Facility Rated	Amount (Rs. Crs)		Tenure	Rating*	
	Previous	Present		Previous	Present
Fund Based					
Cash Credit	5.00	6.00	Long Term	BWR BB- (Pronounced as BWR Double B Minus) Outlook: Stable	BWR BB- (Pronounced as BWR Double B Minus) Outlook: Stable (Reaffirmed)
Non Fund Based					
Bank Guarantee	7.00	10.00	Short Term	BWR A4 (Pronounced as BWR A Four)	BWR A4 (Pronounced as BWR A Four) (Reaffirmed)
Total	12.00	Rs. 16.00 Crores (Rupees Sixteen Crores Only)			

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

Rating: Reaffirmed

Brickwork Ratings reaffirmed the long term rating of ‘BWR BB-’ and short term rating of ‘BWR A4’ to the bank loan facilities aggregating Rs. 16.00 Crores of Abdul Kalam Azad.

Rationale/Description of Key Rating Drivers/Rating sensitivities:

The rating has factored, inter alia, existence of the firm for 17 years with satisfactory business history, extensive experience of the promoter in civil construction business and adequate debt protection metrics in FY17. However the rating is constrained by modest scale of operations with marginal improvement in revenue in FY17 and working capital intensive nature of business operation. Going forward, ability of the firm to scale up its operations, to improve its profit



margins and to maintain its capital structure 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.

Analytical Approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria (hyperlinks provided at the end of this rationale)

Key Rating Drivers

Credit Strengths

- **Experienced Promoter:** The Promoter of the firm is having extensive experience in executing civil construction projects.
- **Long Existence of the Firm:** The firm is in existence for 17 years with satisfactory business history.
- **Low Gearing:** The firm has maintained its gearing with total debt to tangible net worth of 0.90 times in FY17.
- **Adequate Debt Protection Metrics:** The firm has adequate debt protection metrics with ISCR of 3.39 times and DSCR of 2.08 times in FY17.

Credit Weaknesses

- **Modest Scale of Operations:** Although revenue of the firm has increased marginally in FY17, the scale of operation continued to be modest with a revenue of Rs. 34.00 Crores in FY17 against Rs. 31.62 Crores in FY16.
- **High Degree of Competition and Tender Driven Nature of Business :** Civil construction industry is highly fragmented. Further, tender based business is intensely competitive putting pressure on profits.

About the Firm

Abdul Kalam Azad is a proprietary concern established in 2001 at Thirthahalli, in Shimoga

District of Karnataka. Mr. Abdul Kalam Azad is the proprietor of the firm. The firm is a Class-I civil contractor and undertakes tender based civil construction projects of Govt. departments. such as Road Construction Projects (i.e. National Highway construction work , road expansion and maintenance work, rural road development work, etc.) and Bridge Construction Projects with in the state of Karnataka. Major clients of the firm includes National Highways Authority of India (NHAI), Karnataka Public Works Department (KPWD), etc.

Firm's Financial Performance

The firm has registered a total operating income of ₹ 34.00 Cr in FY17 as against Rs. 31.62 Cr in FY16. The firm has reported net profit of ₹ 2.10 Cr FY17 as against ₹ 1.52 Cr in FY16. Tangible net worth of the firm stood at ₹ 8.76 Cr as on March 31, 2017.

Parameters	31-Mar-2015	31-Mar-2016	31-Mar-2017
	(Audited)	(Audited)	(Audited)
Total Operating Income (Rs. Crores)	16.20	31.62	34.00
EBIDTA (Rs. Crores)	2.33	3.62	4.19
PAT (Rs. Crores)	0.90	1.52	2.10
Tangible Net Worth (TNW) (Rs. Crores)	5.71	7.17	8.76
Total Debt : TNW (Times)	1.33	0.70	0.90
Current Ratio (Times)	1.49	1.91	1.93

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

Sl. No.	Instrument/Facility	Current Rating (2018)			Rating History		
		Type	Amount (Rs. Crs)	Rating	Apr 19, 2017	Jan 25, 2016	2015
1	Cash Credit	Long Term	6.00	BWR BB- (Pronounced as BWR Double B Minus) Outlook: Stable	BWR BB- (Pronounced as BWR Double B Minus) Outlook: Stable	BWR B+ (Pronounced as BWR Single B Plus) Outlook: Stable	Nil
2	Bank Guarantee	Short Term	10.00	BWR A4 (Pronounced as BWR A Four)	BWR A4 (Pronounced as BWR A Four)	Not Assigned	Nil
Total		Rs. 16.00 Crores (Rupees Sixteen Crores Only)					

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

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