



Rating Rationale

Adishakthi Constructions

20 July 2018

Brickwork Ratings assigns **BWR B+ (Outlook: Stable)/A4** for the Bank Loan Facilities of **Rs. 6.05 Crore** of Adishakthi Constructions ('ASC' or 'the Firm').

Particulars

Facilities [#]	Amount (Rs. Crs)		Tenure	Ratings [*]
	Previous	Present		
Fund Based				
Secured Overdraft (SOD)	-	2.20	Long Term	BWR B+ (Pronounced as BWR Single B Plus) (Outlook: Stable)
Term Loan	-	0.85		
Non Fund Based				
Inland Bank Guarantee (BG)	-	3.00	Short Term	BWR A4 (Pronounced as BWR A Four)
Total	-	6.05 (Rupees Six Crore and Five Lakhs Only)		

* Annexure I provides bank wise details of facilities.

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

Ratings Assigned:

Brickwork Ratings assigned ratings of **BWR B+ (Outlook: Stable)/A4** for the Bank Loan Facilities of **Rs. 6.05 Crore** of Adishakthi Constructions .

Rationale/Description of Key Rating Drivers/Rating Sensitivities:

BWR has essentially relied upon the audited financials upto FY17, provisionals of FY18, publicly available information and information/clarifications provided by the firm's management.

The ratings draws strength from the experience of the promoter in construction of roads and other civil related works, established relationships with reputed clientele, moderate order book position ensuring revenue visibility upto FY19, moderate financial profile and adequate liquidity position. However, the ratings are constrained by the presence of the firm in a highly competitive industry

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with tender-driven nature of the business, working capital intensive nature of operations, susceptibility to volatile raw material prices, constitution of partnership firm and high geographic concentration of the revenue stream.

Going forward, ability of the firm to increase its scale of operations, to improve its profitability, to strengthen its overall credit profile and to manage its working capital efficiently would be the key ratings sensitivities.

Key Rating drivers

Strengths:

- **Experienced promoter:** Mr.N.Nagesh Reddy, Managing Partner has more than two decades of experience in execution of Government civil contracts.
Moderate financial risk profile: Financial risk profile is moderate with Partners capital, Gearing, Interest service coverage ratio and Debt service coverage ratio of Rs.5.17 Crs, 0.13 times, 12.03 times and 10.14 times respectively as on 31st March 2017.
- **Moderate order book position:** Adishakthi Constructions (ASC) has moderate revenue visibility backed by an order book position of ~ Rs.19 Crs crs.
- **Efficient working capital management and comfortable liquidity:** The cash conversion cycle stood at -47 days in FY17 on account of receivable and inventory days of 12 and 12 respectively. Firm's current ratio stood at 2.68 times in FY17.

Constraints:

- **Susceptibility to volatility in raw material prices:** Revenue and profitability will remain susceptible to fluctuations in raw material prices such as cement, steel and iron etc.
- **High geographic concentration in the revenue stream:** The firm generates its revenue mostly from the projects in the State of Telangana.
- **Presence in highly competitive industry and tender- driven nature of business:** The construction industry is highly fragmented with the presence of many organized and unorganized players. Further, the tender - driven nature of business places pressure on the profitability of the firm
- **Constitution of the entity as partnership firm:** Constitution as partnership firm has the inherent risk of possible withdrawal of the capital by partners which can adversely affect its capital structure.

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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 that the **Adishakthi Constructions'** business risk profile will be maintained over 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

Adishakthi Constructions (ASC) was established as a partnership firm in 1998 at Nizamabad, Telangana. Mr. Nagesh Reddy N is the Managing Partner. The firm engaged in laying of roads by utilising hot mix plant, building works, civil, electrical and mechanical works. The firm is registered with the Office of the engineer in chief (admin wing) I & CAD department, Government of Telangana to undertake civil contracts under special class contractor. ASC has an order book position of around Rs.19 Crs as on July 2018 to be executed .

Financial Performance

Adishakthi Constructions reported a revenue of Rs.26.16 Crs and PAT of Rs.1.66 Crs for FY17 as against revenue of Rs.35.10 Crs and PAT of Rs.2.15 Crs in FY16. Partner's Capital was Rs. 5.17 crore as on 31st March 2017. Total Debt was Rs. 0.65 crore and Current ratio was 2.68 times as on 31st March 2017. ISCR was 12.03 times and DSCR was 10.14 times as on 31st March 2017. On provisional basis, the firm had reported a revenue of around Rs. 27 crore for FY18.

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Financial Indicators

(Rs. Crore)	Units	31 March 2016 (Audited)	31 March 2017 (Audited)
Net Sales	(Rs. Crs)	35.10	26.16
EBITDA	(Rs. Crs)	2.60	1.98
Profit After Tax	(Rs. Crs)	2.15	1.66
Partner's Capital	(Rs. Crs)	5.35	5.17
Total Debt: Partner's Capital	Times	0.32	0.13
Current Ratio	Times	1.93	2.68

Rating History for the last three years

Sl. No.	Facilities	Current Ratings (2018)			Ratings History		
		Type	Amount (Rs. Cr)	Ratings	2017	2016	2015
1	Secured Overdraft (SOD)	Long Term	2.20	BWR B+ Outlook: Stable	NA	NA	NA
2	Term Loan		0.85				
3	Inland Bank Guarantee (BG)	Short Term	3.00	BWR A4			
Total			Rs. 6.05 (Rupees Six Crore and Five Lakhs Only)				

Status of Non Cooperation with other CRA: Not Applicable

Any other information: Not Applicable

Hyperlink/Reference to applicable Criteria

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

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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, 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 ₹ 11,99,663 Cr. In addition, BWR has rated over 6819 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹48,803 Cr have been rated.

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.

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