



## Rating Rationale

### Aishwaryagiri Constructions Private Limited

29 May 2019

**Brickwork Ratings assigns 'BWR BB/A4' for the bank loan facilities of Rs. 45.00 Crore of Aishwaryagiri Constructions Private Limited ['ACPL' or 'the company'], Bengaluru, Karnataka**

#### Particulars

Facilities*	Amount (Rs. Cr)	Tenure	Ratings^
<b>Fund Based</b>			
OCC/ODBD	30.00	Long Term	<b>BWR BB (Pronounced as BWR Double B ) Outlook : Stable Assigned</b>
<b>Non Fund Based</b>			
BG	15.00	Short Term	<b>BWR A4 (Pronounced as BWR A Four ) Assigned</b>
<b>Total</b>	<b>45.00</b>	<b>INR Forty Five Crores Only</b>	

\* Note: Annexure I provides details of the credit facilities

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

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

Brickwork Ratings has essentially relied upon the audited financials upto FY18, CA certified provisional financials for FY19 and projections upto FY20, publicly available information and information/clarifications provided by the company's management.

The ratings factor the Company's operational track record, the promoters' extensive experience in the civil construction industry, long standing relationships with Government agencies, consistent operational performance and moderate financial risk profile. The ratings, however, continue to be constrained by the highly competitive nature of the industry, modest scale of operations, geographical concentration of projects in Karnataka, exposure to risks arising from tender based nature of operations, highly leveraged capital structure and working capital intensive operations.

Going forward, the ability of the Company to execute the projects in time within the budgeted costs and achieve its targeted turnover and profitability, ensure timely realisation of the receivables, ACPL's efforts to achieve further geographical and customer diversification in its revenue profile and manage its working capital effectively would be the key rating sensitivities.



## Key Rating drivers

### Credit Strengths:

- **Long operational track record and experienced promoters** - The Company has a long and established track record with established relationships with its customers and suppliers. The main promoter has extensive industry experience of more than 25 years.
- **Government clientele** - Most of the clients are central and state government agencies viz., Karnataka Slum Development Board, Cauveri Neeravari Nigama Limited, Mumbai International Airport, Solar Energy Corporation of India, KIOCL Mangaluru, Karnataka State Highways Improvement Project, etc. The Company has been associated with such Government bodies for around 5 years and thereby getting repeat orders
- **Healthy order book** - The Company has orders on hand to the extent of ~Rs 185 Crs, to be executed during the current year, leading to medium term revenue visibility.
- **Improvement in the operational performance** - The Company's revenue and profitability has been improving. Net sales improved to Rs.133.77 Crs for FY18 as against Rs. 119.37 Crs in FY17. PAT during FY18 was Rs. 5.29 Crs as against Rs. 4.44 Crs during FY 17. On a provisional basis, the Company has reported revenue of Rs. 149.35 Crs for FY19.

### Credit Constraints:

- **High gearing levels with average debt protection metrics** - The company's coverage metrics were moderate with relatively high gearing levels. Total debt/ tangible net worth was 3.08 times as on March 31, 2018. However, treating the interest-free long term borrowings from the promoters as quasi-capital, this ratio improves to 1.28 times as on March 31 2018. ISCR was adequate at 2.33 times during FY18.
- **Highly competitive nature of the industry and modest scale of operations** - The company operates in a highly competitive business environment. It faces stiff competition from both organised and unorganised players. The intense competition in the industry continues to limit the profitability of the Company. Further, the scale of operations of the Company is comparatively modest.
- **Susceptibility to risks inherent in tender based business:** Since the entire operations are tender based, the business depends on the ability to bid for tenders successfully. Also, the majority of orders are from Government agencies, resulting in high dependence on timely clearances for tenders and payments. Revenue and profitability are expected to remain susceptible to risks inherent in tender based operations. Tender based operations limit pricing flexibility in an intensely competitive industry.
- **High levels of receivables** - The trade receivable levels were relatively high at Rs. 132.27 Crs against the total revenue of Rs. 133.77 Crs as on 31-Mar-2018. This is mainly due to the delay in release of funds from government contracts.
- **Geographical concentration of the projects** - The ratings are sensitive to geographic concentration as majority of projects executed in the past and the current order book are concentrated in Karnataka. Therefore, any political uncertainty or other adverse scenario in the state could adversely affect the construction industry in the state bearing a direct impact on the company's timely execution of projects, project realisations and revenues and margins. However the company is diversifying to other states like Maharashtra & Goa.



**Liquidity - Moderate:** Working capital utilisation remained high with an average utilisation of around 95% over the last one year, owing to the nature of business. As such, there is limited buffer to meet working capital needs. Receivable days are around 266 days (FY18) and 309 days (FY19) and are expected to remain high, as is commonly prevalent for the Government contracts. The operations are expected to remain working capital intensive and timely enhancement of working capital facilities will be critical for maintaining a comfortable liquidity position. Current ratio was 1.31 times as on 31<sup>st</sup> March 2018 as against 1.27 times as on 31<sup>st</sup> March 2017. Cash & Cash equivalents were low at Rs 0.10 crore and Net cash accruals to total debt was around 0.08 times as on 31<sup>st</sup> March 2018.

### **Analytical Approach**

For arriving at its ratings, Brickwork Ratings has applied its rating methodology as detailed in the Rating criteria below (hyperlinks provided at the end of this rationale). The company does not have any subsidiaries.

### **Rating Outlook: Stable**

Brickwork Ratings believes that Aishwaryagiri Constructions Private Limited's ('ACPL' or 'the company') 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 leading to improvement in cash accruals and strengthening of financial risk profile. The rating outlook may be revised to 'Negative' if the revenues go down, profit margins show lower than expected figures, working capital cycle is elongated pressurizing the liquidity position or any major debt funded capital expenditure plan leads to stress on the financial risk profile of the company.

### **About the Company**

Aishwaryagiri Constructions is a civil construction company, which started operations in 1995 at Bengaluru under the name "Giri Construction", a proprietorship firm. Later in 2011, it was reconstituted and renamed as Aishwaryagiri Constructions Private Limited. The company undertakes diversified projects viz. Irrigation & Water projects, Public & Rural water supply projects, Roads & Canals, Industrial Utility Infrastructure projects, Management projects, etc. The company's major clients are Government agencies and the on-going and confirmed/pipelined projects include projects from Karnataka Slum Development Board, Cauvery Neeravari Nigama Ltd, Mumbai International Airport Ltd, Solar Energy Corporation of India, KIOCL Mangaluru, KSHIP, etc

Mr. Jayaramaiah Giriyappa (Chairman & Director) and Mr. Sivakumar Giriyappa (Director) are the promoters.

## Financial Performance

### Key Financial Parameters

Particulars		31 Mar 2017	31 Mar 2018
		<b>Audited</b>	<b>Audited</b>
Net Revenue	Rs. Cr	119.37	133.77
EBITDA	Rs. Cr	11.18	13.56
Profit After Tax	Rs. Cr	4.44	5.29
Tangible Net Worth	Rs. Cr	27.53	40.33
Total Debt : Tangible Net Worth	Times	1.69	1.28
Current Ratio	Times	1.27	1.31

On a provisional basis, ACPL has achieved sales of around Rs.149 Cr, during FY19.

### Rating History for the last three years

Facilities	Present Rating (2019)			Rating History	
	Amount (Rs. Cr)	Type	Ratings	Sep 07, 2018	April 03, 2017
<b>Fund Based</b>					
OCC/ODBD	30.00	Long Term	<b>BWR BB</b> (Pronounced as BWR double B) <b>Outlook: Stable Assigned</b>	BWR BB- (Pronounced as BWR Double B minus) Withdrawn	BWR BB- (Pronounced as BWR Double B minus) Outlook : Stable Assigned
<b>Non Fund Based</b>					
BG	15.00	Short Term	<b>BWR A4</b> (Pronounced as BWR A Four) <b>Assigned</b>	BWR A4 (Pronounced as BWR A Four) Withdrawn	BWR A4 (Pronounced as BWR A Four) Assigned
<b>Total</b>	<b>45.00</b>	<b>INR Forty Five Crores Only</b>			



**Status of Non-Cooperation with other CRA:**

ICRA, vide its press release dated 30th April 2019, has maintained the ratings of the bank loan facilities of the company in Issuer Not Cooperating category.

**Any other information: Not Applicable**

**Hyperlink/Reference to applicable Criteria**

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

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## Annexure I

### Bank Loan Facilities

Bank	Facilities	Amount (Rs. Cr)
Canara Bank Vijayanagara Branch, Bengaluru	OCC/ODBD	30.00
	BG	15.00
<b>Total</b>		<b>45.00</b>



### **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](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.

### **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.