



Rating Rationale

American Road Technology & Solutions

4 May 2018

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of Rs 7.20 Crores of American Road Technology & Solutions Pvt Ltd (ARTS)

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based			
Cash Credit	2.00	Long Term	BWR BB- Pronounced as Double B Minus (Outlook: Stable)
Term Loan	3.70		
Non Fund Based			
Bank Guarantee	1.50	Short Term	BWR A4 (Pronounced as Single A Four)
Total	7.20	Rupees Seven Crores Twenty Lakhs Only	

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

Rating assigned

Brickwork Ratings assigns long term rating of BWR BB - and Short term rating of BWR A4 for the Bank Loan Facilities of Rs 7.20 Crs of American Road Technology & Solutions Pvt Ltd.

Rationale/Rating sensitivities:

The Rating has factored inter alia, promoters experience in the line of infrastructure and construction industry, increase in sales and profit, healthy profitability margins, good order book position and adaption of unique and proven technologies. However, the rating is constrained by low scale of operations, moderate gearing and inadequate liquidity position.

Going forward, ability of the company to scale up its operations, to reduce its leverage by improving its net worth, to manage its working capital efficiently and to repay its debt obligations promptly will be the key rating sensitivities.



Description of Key Rating Drivers

Credit Strengths:

- **Promoters experience:** Promoters are having extensive experience in infrastructure and construction industry
- **Healthy profitability margins:** The company has healthy profitability margins with operating and net profitability margins of 45.85% and 4.32% respectively in FY17.
- **Unique and proven technologies used in operations:** The Company is using an updated equipments/technologies for its operations that include Python 5000, Pothole patcher, S2 Street sweeper, S3 Street Sweeper and Challenger Sweeper
- **Healthy order book position:** The company has healthy order book position with various Govt departments.

Credit Risks:

- **Low scale of operations:** Scale of operations of the company are low as reflected in revenue of Rs 4.60 Crs in FY 17. As per provisional financials till 30.11.2017, sales have increased to Rs 5.43 Crs.
- **Low networth:** The company's net worth is low at Rs 2.67 cr in FY17. However, the net worth has been increased to Rs 5.49 Crs as on 31.12.2017.
- **Moderate gearing level:** The company has high gearing with the debt equity ratio of 2.90X in FY17 and as per provisional financials the same has come down to 1.86 times as on 30.11.2017.

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 **American Road Technology & Solutions Pvt Ltd's** 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. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

About the Company

American Road Technology and Solutions Pvt Ltd (ARTS) was incorporated in 2012. Mr. Bhanu Prabha Krishna Hebbar is the managing director and Mr. Kiran S Murthy is the director of the company. Registered office of the company is situated in Infantry Road, Bangalore, Karnataka. The company is engaged in construction, maintenance, repairing, renovating of all types of roads, expressways, highways etc., The Company is primarily focused on providing road maintenance services like Pothole Patching, Road Sweeping and also offers durable and innovative solutions for damaged roads. The objective of the company is to maintain the roads by using latest equipments/ machineries which are far more superior in terms of quality of road



repairs and durability of the repaired surfaces as compared to manual methods or any other alternative ways of road repairs. To achieve the same, the Company has huge range of vehicles and equipments that include Python 5000, Pothole patcher, S2 Street sweeper, S3 Street Sweeper and Challenger Sweeper.

Company's Financial Performance

Based on Audited financials of FY17, company has reported a net profit of Rs 0.20 Crs on total operating income of Rs 4.60Crs. The company has high gearing with the debt equity ratio of 2.90 times. Its current ratio is 1.07 times. As per Provisional financials till November 2017, company has achieved a PAT of 2.10 Crs against sales of Rs 5.59 Crs.

Rating History for the last three years

Sl. No	Instrument /Facility	Current Rating (2018)			Rating History		
		Type (Long Term/ Short Term)	Amount (Rs in Crs)	Rating	2017	2016	2015
	Fund Based						
1	Cash Credit	Long Term	2.00	BWR BB- (Outlook: Stable)	Nil	Nil	Nil
2	Term Loan		3.70				
	Non Fund Based						
3	Bank Guarantee	Short Term	1.50	BWR A4	Nil	Nil	Nil
	Total		7.20	Rupees Seven Crores Twenty Lakhs Only			

Key Financial Indicators

Key Parameters/Result Type	FY17(A)	FY16(A)	FY15(A)
Operating Revenue (Rs in Crs)	4.60	6.15	4.24
EBITDA (Rs in Crs)	2.11	2.50	1.31
PAT (Rs in Crs)	0.20	0.35	-0.01
Tangible Net worth(Rs in Crs)	2.67	2.47	2.11
Total Debt/Tangible Net worth (Times)	2.90	3.17	4.01
Current Ratio (Times)	1.07	0.88	1.06

Hyperlink/Reference to applicable Criteria

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

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 ₹ 10,00,000 Cr. In addition, BWR has rated over 6300 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹24,440 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.