



## Rating Rationale

Amrutha Constructions Pvt Ltd

05 April 2018

Brickwork Ratings revises the ratings for the Bank Loan Facilities of ₹ 500.00 Crores of Amrutha Constructions Pvt Ltd.

## Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (April, 2017)	Present
Fund Based	86.00	100.00	Long Term	BWR BBB (Pronounced as BWR Triple B) Outlook: Stable	Upgraded to BWR BBB+ (Pronounced as BWR Triple B Plus) Outlook: Stable
Non Fund Based	214.00	400.00	Short Term	BWR A3+ (Pronounced as BWR A Three Plus)	Upgraded to BWR A2 (Pronounced as BWR A Two)
<b>Total</b>	<b>300.00</b>	<b>500.00</b>	<b>INR Five Hundred Crores Only</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings  
Complete details of Bank facilities is provided in Annexure-I

## Ratings: Upgraded

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

BWR has essentially relied upon the audited financial results up to FY17, unaudited financials for 9MFY18, projected financials of **Amrutha Constructions Pvt Ltd** upto FY19, publicly available information and information/clarifications provided by the company's management.



The ratings have factored in the experience of the management in the construction/irrigation industry, established track record of the company, consistent growth in revenues, healthy order book position ensuring revenue visibility upto FY20, moderate financial risk profile and adequate liquidity. However, the rating is constrained by increasing debt levels, geographic concentration in the revenue stream, tender based work awarding mechanism, which will limit the margins and inherent risks, associated with the sector.

### **Description of Key Rating Drivers**

#### **Credit Strengths:**

- **Experienced Promoters:** Promoters of the company are well qualified and experienced in the industry. Major promoters of the company have over two decades of industry experience through the company (Previously as a proprietorship concern).
- **Moderate Financial risk profile:** Gearing of the company is adequate at 1.15 time in FY17 which provides financial flexibility to the company. Interest servicing capability of the company is moderate as reflected by ISCR of 2.25 times in FY17.
- **Strong order book Position:** Amrutha Constructions Private Limited (ACPL) has healthy revenue visibility backed by an order book position of ~ Rs. 4118.35 Crs to be implemented in the next two-three years.

#### **Credit Risks:**

- **Increased debt levels of the company:** Overall debt of the company has increased from Rs. 68.31 Crs in FY15 to Rs. 117.08 Crs in FY16 and further increased to Rs. 135.45 Crs in FY17. Increased debt level of the company has marginally increased the interest cost and impacted the net profits.
- **High geographic concentration in the revenue stream:** The company generates a major part of its revenues for projects in the State of Karnataka which indicates geographic concentration in revenues
- **Tender based work awarding mechanism:** Tender based work awarding mechanism which may limit the margins of the company.

### **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 the **Amrutha Constructions Pvt Ltd** 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

Amrutha Constructions Pvt Ltd was established as a proprietorship concern known as Mr. P.Venkateshwara Rao & Co in 1985 and later got converted into a Private Limited Company in 2006. The Company started with executing the Irrigation work for Minor and Major Irrigation departments of Karnataka.

The company is an authorized contractor for Civil works in AP Govt., CNNL, Electrical contractor for Karnataka Govt., KPWD, KPWD and civil contractor for Govt of Telangana, KBJNL (Krishna Bhagya Jala Nigam Ltd), KNNL (Karnataka Neeravari Nigam Ltd) , KIADB (Karnataka Industrial Areas Development Board) and KSCC (Kerala State Construction Corporation).

### Company Financial Performance

Total operating income of the company has increased by ~4.00% from Rs. 651.43 Crs in FY16 to Rs. 675.03 Crs in FY17. As per provisional financials for 9 months of FY18, , the company has achieved total operating income of ~Rs. 615.26 Crs upto 31st December, 2017.

### Rating History for the last three years:

S.No	Instrument /Facility	Current Rating (March, 2018)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	April, 2017	Feb, 2016	2015
	<b>Fund Based</b>	Long Term	100.00	<b>Upgraded to BWR BBB+ (Stable)</b>	<b>BWR BBB (Stable)</b>	<b>BWR BBB (Stable)</b>	<b>Not Rated</b>
	<b>Non Fund Based</b>	Short Term	400.00	<b>Upgraded to BWR A2</b>	<b>BWR A3+</b>	<b>BWR A3+</b>	<b>Not Rated</b>



Total	500.00	INR Five Hundred Crores Only
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Status of non-cooperation with previous CRA (if applicable)- None  
 Any other information

**Key Financial Indicators**

Key Parameters	Units	2016	2017
Result Type		Audited	Audited
Operating Revenue	Rs. Crs	651.43	675.03
EBITDA	Rs. Crs	77.39	62.67
PAT	Rs. Crs	28.28	24.24
Tangible Net worth	Rs. Crs	93.86	118.09
Total Debt/Tangible Net worth	Times	1.25	1.15
Current Ratio	Times	1.61	1.94

**Hyperlink/Reference to applicable Criteria**

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

Analytical Contacts	Media
<i>Vipula Sharma</i> <i>DGM-Ratings</i>	<a href="mailto:media@brickworkratings.com">media@brickworkratings.com</a>
<a href="mailto:analyst@brickworkratings.com">analyst@brickworkratings.com</a>	<b>Relationship Contact</b>
	<a href="mailto:bd@brickworkratings.com">bd@brickworkratings.com</a>
<b>Phone: 1-860-425-2742</b>	

**Annexure - I - Bank Facilities Details**



Rs. In Crs	Previous				Present			
	Canara Bank	Canara Bank	Kotak Mahindra Bank	Total	Canara Bank	Karnataka Bank	Indian Bank	Total
Name of the Bank	Canara Bank	Canara Bank	Kotak Mahindra Bank	Total	Canara Bank	Karnataka Bank	Indian Bank	Total
Facility	Present Limits	Proposed Limits	Proposed Limits	Limits Rated	Present Limits	Proposed Limits	Present Limits	Rated Limits
ODBD/Cash Credit	50.00	35.00	1.00	86.00	50.00	-	50.00	100.00
Bank Guarantee	125.00	50.00	39.00	214.00	200.00	100.00	100.00	400.00
<b>Total</b>	<b>175.00</b>	<b>85.00</b>	<b>40.00</b>	<b>300.00</b>	<b>250.00</b>	<b>100.00</b>	<b>150.00</b>	<b>500.00</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, 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**

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