

Rating Rationale

Brickwork Ratings revises the long term rating to ‘BWR BB-’ from ‘BWR BB’ and reaffirms short term rating at BWR A4 for the Bank Loan Facilities amounting to ₹ 10.00 Crores (enhanced from ₹ 6.00 Crores) of Aravinda Electricals

Brickwork Ratings revises the **Ratings¹** for the Bank Loan facilities sanctioned by Canara Bank amounting to ₹ 10.00 Crores (enhanced from ₹ 6.00 Crores) of Aravinda Electricals (“Aravinda” or “the firm”) as follows:

Facility	Limits ₹ Crores		Tenure	Previous Rating May 2013	Review Rating February 2015
	Previous	Present			
Fund Based Cash Credit	3.00	5.00	Long Term	BWR BB (Pronounced BWR Double B) (Outlook:Stable)	BWR BB- (Pronounced BWR Double B Minus) (Outlook: Stable)
Non Fund Based Bank Guarantee	3.00	5.00	Short Term	BWR A4 (Pronounced BWR A Four)	BWR A4 (Pronounced BWR A Four)
Total	6.00	10.00	Rupees Ten Crores Only		

BWR has principally relied upon the audited financials of upto FY14, projected financials of FY15 & FY16 of Aravinda Electricals, publicly available information and information/clarification provided by the Company’s management.

The rating continues to factor, the promoters experience and track record of the firm in executing electrical contract works for Karnataka State government, healthy profit margins and comfortable order book position. However, the ratings are constrained by small scale of operations, substantial revenue dip in FY14 and likely worsening of capital structure in FY15.

Business Overview

Aravinda Electricals was established in 1989, as proprietorship firm by Mr B.M. Srinivasa. Subsequently, the firm was reconstituted as a partnership in May 2013 and commenced operations in the new entity from October 2014. Mr. B.M Srinivasa and Ms. Vijaya Lakshmi are the partners. The firm is extensively involved in executing electrical contracts for Karnataka State government. The firm’s registered/corporate office is located in Bangalore.

¹ Please refer to www.brickworkratings.com for definition of the Ratings

Financial Performance:

The net revenue has substantially reduced from ₹ 21.90 Crores in FY13 to ₹ 5.62 Crores in FY14, due to limited tenders and change in the Karnataka government structure. But, the net profit margins remained at ~10% in FY14. As of 31st March 2014, the tangible net worth and unsecured loans from related parties stood at ₹ 6.75 Crores and ₹ 3.97 Crores, respectively. The gearing level is high at 0.87 times in FY14 (considering unsecured loans as debt).

The gearing level expected to be 2.50 times in FY15.

Rating Outlook

Going forward, the firm's ability to scale up its operations by acquiring new contracts, sustaining profit margins and strengthening its capital structure will remain the key rating sensitivities.

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