



Rating Rationale

Ashok Bricks Industries Pvt. Ltd

3 Sep 2018

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹. 60.47 Crores of Ashok Bricks Industries Pvt Ltd. (ABIPL or the ‘Company’)

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Feb, 2017)	Present
Fund based: Term Loan Cash Credit SLC	7.49 14.00 1.50	4.47 24.00 3.00	Long Term	BWR BBB- (Pronounced as BWR Triple B Minus) Outlook: Stable	BWR BBB- (Pronounced as BWR Triple B Minus) Outlook: Stable <i>Reaffirmation</i>
Non Fund Based: Bank Guarantee	20.00	29.00	Short Term	BWR A3 (Pronounced as BWR A Three)	BWR A3 (Pronounced as BWR A Three) <i>Reaffirmation</i>
Total	42.99	60.47	INR Sixty Crores and Forty Seven Lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
Complete details of Bank facilities is provided in Annexure-I

Ratings: Reaffirmed

Brickwork Ratings reaffirms the Long Term rating of BWR BBB- (Outlook: Stable) and Short Term rating of BWR A3 for the Bank Loan facilities amounting to Rs. 60.47 crores of ABIPL.

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financials from FY15 to FY17, provisional financials of FY18 and the projected financials upto FY20 of Ashok Bricks Industries Pvt. Ltd. publicly available information and information/clarifications provided by the Company’s management.

The ratings continue to derive strength from established presence in civil construction business for more than a decade and experienced promoters supported by a team of qualified and experienced professionals, healthy financial risk profile and healthy order book position. However, the ratings are constrained by the tender based nature of business, vulnerability of profitability to raw material price fluctuations and intense competition in the construction industry.



Description of Key Rating Drivers

Credit Strengths:

- **Established presence in the business and experienced management:** ABIPL has an operational track record of around 19 years in the civil construction industry. Despite the sudden demise of the promoter director, Mr Pramod Kumar Agarwal, the extensive experience of the team of qualified and experienced professionals in the senior management team ably lends support to Mr Rahul Agarwal, the present director managing the day-to-day affairs of the Company.
- **Healthy financial risk profile:** ABIPL's financial profile is marked by an increasing trend in turnover as per Audited financials of FY-2015, 2016 and 2017 and healthy profit margins. The ISCR and DSCR were comfortable at 3.08x and 1.49x (FY 2017) respectively.
- **Healthy order book position:** ABIPL has healthy order book position marked by current orders in hand of ₹258.51 Crores as on 31-March-2018, indicating revenue visibility.

Credit Risks:

- **Tender-based nature of business:** Being engaged in execution of civil construction contracts, predominantly government orders, sustainability in revenue growth depends on participation in tenders and winning contracts based on competitive bidding..
- **Vulnerability of profit to raw material price fluctuations:** The margins are affected by the fluctuation in prices of key raw materials like cement, steel, etc. However, the risk is mitigated by the ability to have a built-in safety mechanism to engineer the price-bids at the time of participation in the tenders.
- **Intense Competition:** ABIPL faces stiff competition from other players in the construction industry.

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 **Ashok Bricks Industries 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

ABIPL was incorporated in the year 1999, with its registered office at Belpahar, Jharsuguda, Odisha. It is engaged in civil construction of roads, over-bridges and other civil structures of government departments majorly within the States of Odisha, Jharkhand and Chhattisgarh. ABIPL operates under the directorship of Mr Rahul Agarwal, Ms Shakuntala Agarwal and Ms Namrata Agarwal.



Rating History for the last three years

S.No	Facility	Current Rating (Sept 2018)			May 2018	Rating History		
		Type	Amt (₹ Crs)	Rating		2017	2016	2015
1.	Fund Based	Long Term	31.47	BWR BBB-	Transferred to Rating Not Reviewed	BWR BBB-	NA	NA
2.	Non Fund Based	Short Term	29.00	BWR A3		BWR A3	NA	NA
Total			60.47	₹ Sixty Crores and Forty Seven Lakhs Only				

Company Financial Performance

As per provisional FY18, the Company has achieved an operating income of ₹ 90.56 crores. Audited Financials of the Company are tabulated below:

Key Financial Indicators

Key Parameters	Units	2017	2016
Operating Revenue	₹ Crs	104.90	84.08
EBITDA	₹ Crs	16.47	10.94
PAT	₹ Crs	5.73	3.79
Tangible Net worth	₹ Crs	26.89	19.44
Total Debt/Tangible Net worth	Times	1.82	1.78
Current Ratio	Times	1.05	1.00

Hyperlink/Reference to applicable Criteria

[General Criteria](#)

[Approach to Financial Ratios](#)

[Infrastructure Sector](#)

[Short Term Debt](#)



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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.

BWR has rated over 30 PSUs/Public Sector banks, as well as many major private players. BWR has a major presence in ULB rating of nearly 102 cities

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.