



Rating Rationale

Ashtech Buildpro India Pvt Ltd

29 Nov 2018

Brickwork Ratings assigns ratings for the Bank Loan Facilities of Rs. 13.65 Crs of Ashtech Buildpro India Pvt Ltd ('ABIPL' or 'The Company')

Particulars

Facility *	Amount (Rs. Crs)	Tenure	Rating [^]
<u>Fund Based</u> Cash Credit Term Loan**	4.00 9.15	Long Term	BWR B (Pronounced as BWR Single B) Outlook: Stable Assigned
<u>Non-Fund Based</u> Bank Guarantee (Proposed)	0.50	Short Term	BWR A4 (Pronounced as BWR A Four) Assigned
Total	13.65 (INR Thirteen Crore and Sixty Five Lakhs Only)		

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

*Annexure-I provides details of bank wise facilities

**Includes Proposed Term Loan of Rs. 2.00 Crs

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the audited financials upto FY18, financial projections for FY19 and FY20, publicly available information and information/clarifications provided by the management.

While assigning the rating to the company, BWR has factored in the small scale of operations, weak credit risk profile, elongated collection period and industry risks. However the rating partially derives its strength from experienced promoter and strong demand prospects for the products.

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Going forward the ability of the company to increase its scale of operations, improve its profit margins and debt profile, increase promoter's equity in the business and efficiently manage working capital requirements would remain the key rating sensitivities.

Key Rating drivers

Credit Weakness

- **Small scale of operations**

Scale of operations at present is small at around Rs. 17.73 Crs for FY18. But for FY19 according to the management, the company has recorded revenues of around Rs. 15.00 Crs and PAT of 0.20 Crs upto Q2 FY19 which indicates that the company can achieve its projections of Rs. 30.00 Crs for FY19 which would enable it to exploit moderate scale benefits.

- **Weak Credit Risk Profile**

Credit risk profile of the company is weak as marked by high overall gearing (analyzed) at around 2.72 times for FY18 due to low capital support provided by the promoters mainly on account of net losses recorded by the company which resulted in erosion of net worth base. Subsequently, the coverage ratios are below benchmark as marked by ISCR and DSCR of 1.44 times and 0.81 times respectively for FY18 due to net loss incurred by the company of around Rs. 0.99 Crs for FY18.

- **Elongated collection period**

The company has extended credit of around three months to its customers owing to competitive nature of the industry. Further, the company gets credit of around one month from its suppliers which creates liquidity crunch for the company and also makes the business working capital intensive.

- **Industry Risks**

The Company operates in a highly competitive industry marked by the presence of a large number of player in the unorganised sector. Since the company is small player in this segment, its pricing power is restricted with limited ability to pass on any increase in input cost due to intense competition which exerts pressure on its margins.

Credit Strengths

- **Experienced Promoters**

Company is promoted by Mr. Sandeep Kumar Jindal and Mr. Shiv Kumar Jindal. They both are post-graduate by qualification and have an overall experience of around two and a half decades in the construction industry.

- **Strong demand prospects for the Products**

The company produces AAC (Aerated Autoclaved Concrete) Blocks, which are in high demand and are used for all types of construction activities. The high demand for this



product is due to better insulation and heat rejection as compared to conventional clay bricks.

Analytical approach

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria below (hyperlinks provided at the end of this rationale).

Rating Outlook: Stable

BWR believes ABIPL'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 company shows improvement in the scale of operations & profit margins and the promoters are able to infuse more capital in the business. The rating outlook may be revised to 'Negative' if the company is not able to improve its scale of operations & profit margins and not able manage its working capital requirements.

About the Company

Ashtech Buildpro India Pvt Ltd was incorporated in June 2013 and currently managed by Mr. Sandeep Kumar Jindal and Mr. Shiv Kumar Jindal. The Company is engaged in manufacturing of Autoclaved Aerated Concrete (AAC) blocks, panels, prefabricated structures, ready made mortar and ready made plaster. ABPL procures its raw material from various cement manufacturers, fly ash from National Thermal Power Corporation Ltd and Limes from dealers based in Rajasthan. Its total operating capacity is 1,75,000 cum per year and average utilization is around 85%. The Co. sells its products to various real estate and infrastructure companies.

Financial Performance

During FY18, The Company has reported net sales of Rs. 17.73 Crs and loss of Rs. 0.99 Crs as against net net sales of Rs. 11.01 Crs and loss of Rs. 1.78 Crs for FY17. Overall gearing (analyzed) was high at around 2.72 times for FY18. Current Ratio is low at 0.75 times for FY18. Coverage ratios are below benchmark due to low profit margins as marked by the ISCR and DSCR of 1.44 times and 0.81 times respectively for FY18.

Key financial indicators are furnished in Annexure I.

Annexure I Key Financial Indicators

Particulars	FY17 (Audited)	FY18 (Audited)
Net Sales (Rs. Cr)	11.01	17.73

OPBDIT	(Rs. Cr)	1.82	2.25
PAT	(Rs. Cr)	(1.78)	(0.99)
Net Worth	(Rs. Cr)	3.61	2.62
Net Worth (Analyzed)	(Rs. Cr)	6.84	5.85
Total Debt:Net Worth	(Times)	5.68	7.30
Total Debt:Net Worth (Analyzed)	(Times)	2.52	2.72
Current Ratio	(Times)	0.90	0.75

Rating History for the last three years:

Facility	Amount (Rs.Crs)	Tenure	Current Rating (Oct 2018)	Rating History		
				2017	2016	2015
Fund Based Cash Credit Term Loan*	4.00 9.15	Long Term	BWR B (Pronounced as BWR Single B) Outlook: Stable Assigned	N.A	N.A	N.A
Non-Fund Based Bank Guarantee (Proposed)	0.50	Short Term	BWR A4 (Pronounced as BWR A Four) Assigned			
Total	13.65		INR Thirteen Crore and Sixty Five Lakhs Only			

*Includes Proposed Term Loan of Rs. 2.00 Crs



Status of Non cooperation with other CRA : None

Any other information : Not applicable.

Hyperlink/Reference to applicable Criteria

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

Analytical Contacts	Media
S.K Gakhar DGM- Ratings analyst@brickworkratings.com	media@brickworkratings.com
	Relationship Contact bd@brickworkratings.com
Phone: 1-860-425-2742	

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 ₹ 9,30,000 Cr. In addition, BWR has rated about 5000 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹19,700 Cr have been rated. Brickwork has a major presence in rating of nearly 100 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.