



RATING RATIONALE

5 Aug 2020

Asian Construction Company

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of Rs. 97.57 Crs of Asian Construction Company.

Particulars

Facility**	Previously Rated Amount (Rs. in Crs)	Amount rated (Rs in Crs)	Tenure	Previous Rating (May 2019)	Rating Assigned*
Fund Based	38.20	42.57	Long Term	BWR BBB (Stable)	BWR BBB (stable) (Reaffirmation)
Non Fund Based	52.00	55.00	Short Term	BWR A3+	BWR A3+ (Reaffirmation)
Total	90.20	97.57	INR Ninety Seven Crores Fifty Seven Lacs Only		

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

** Details of Bank facilities is provided in Annexure-I

RATING ACTION / OUTLOOK

Brickwork ratings has reaffirmed the Long term rating to BWR BBB with a stable outlook and short term rating to BWR A3+.

The reaffirmed rating, inter alia, factors the experienced partners, Central and State government departments being the primary customers, YOY improvement in Turnover , comfortable gearing and debt protection metrics, healthy order book position and efficient working capital management. The rating, however, is constrained by risk associated with tender based business, volatility in raw material prices, timely execution of contracts and inherent risk associated with the constitution of the firm.

The outlook of the company is stable as the company has been able to sustain the growth in revenue from business operations and healthy order book position which provides revenue visibility in the medium term.

KEY RATING DRIVERS

Credit Strengths:

- **Experienced Partners** - Asian Construction Company was established in 1989 as a partnership firm involved in civil construction business by Mr. Ajit Singh Yadav, Mr.

Surender Kumar Yadav and Mr. Daya Yadav. The partners have experience of more than 30 years in the field of civil construction and have implemented various projects for Government entities.

- **Primary customers being central and state government departments** - The firm has executed various projects for Government entities such as Central Public Works Department (CPWD), Military Engineer Services (MES), and Public Works Department (PWD) in regions of Madhya Pradesh, New Delhi, Bihar etc. The entity has been primarily working with Central and State Government Departments which reduces the counterparty risk for the firm.
- **Comfortable Debt protection metrics** - Firm has comfortable debt protection metrics with ISCR and DSCR at 3.02x and 2.26x respectively for FY20 (Provisional) which indicates the firm's ability to service the debt timely..
- **Comfortable Gearing Ratio**– The entity has a comfortable Gearing Ratio (TOL/TNW at 1.75 times as on FY20 (Provisional) as a major portion of the bank debt is in the form of non fund based limits.
- **Comfortable conversion cycle** : Gross current assets comprising inventory and receivables were only 56 days as on 31st March 2020 due to efficient working capital management.
- **Healthy Order Book position** : Firm has orders in hand of Rs. 295.29 Crs as on March 20 which provides revenue visibility in the medium term.
- **YOY Improvement in Turnover** - Total operating income of the firm has improved by 15.13% from Rs. 216.97 Crs in FY19 to Rs. 249.79 Crs in FY20(Provisional) improvement of 15.13%. The Firm has achieved a turnover of Rs. 40.62 Crs in 3MFY21.

Credit Risks:

- **Volatility In Raw Material Prices**- Firm is involved in the construction of college buildings, hostels, hospitals, Border Security Force (BSF) and Central Reserve Police Force (CRPF) quarters. Firm is using raw materials such as steel, concrete, wood, tiles etc based on its availability. The prices of these raw materials are highly volatile which causes a threat to the operating margins of the firm.
- **Exposure to risks related to tender-based business:** Since revenue depends on success in winning tenders in a competitive bidding process, there is limited bargaining power.
- **Inherent risk associated with the constitution of the firm** - Constitution of the entity being a partnership concern, it is exposed to the risk of withdrawal of funds in case of personal exigencies.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

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

RATING SENSITIVITIES

Going forward, the ability of the firm to improve its scale of operations by improving its profitability margins and efficiently managing its liquidity would remain the key rating sensitivities.

Positive: The rating may be revised upward in case the revenues and profit show sustained improvement backed by healthy liquidity.

Negative: The rating outlook may be revised downward in case revenues of the company substantially deteriorates from current level. Rating may also be adversely affected in case of adequate deterioration in gearing and coverage ratios.

LIQUIDITY POSITION (Adequate)

Company has a Cash Credit facility of Rs. 35 crs and its average utilisation of the fund-based limits ranges from 70% - 80% over the 12 months. Company has cash accruals(PAT +DEP) of Rs 13.14 Cr in FY20(Provisional) against Rs. 12.52 Crs in FY19 whereas CPLTD is very small in amount.

COMPANY PROFILE

Asian Construction Company was established in 1989 as a partnership firm involved in civil construction business by Mr. Ajit Singh Yadav, Mr. Surender Kumar Yadav and Mr. Daya Yadav. The partners have significant experience in the field of civil construction and have implemented various projects for Government entities such as Central Public Works Department (CPWD), Military Engineer Services (MES), and Public Works Department (PWD). The firm secures orders from public sector enterprises or their subcontractors through tender participation and precures orders mainly of Delhi, Uttar Pradesh and Madhya Pradesh.

KEY FINANCIAL INDICATORS (in INR Cr)

Key Parameters	Units	FY19	FY20
		Audited	Provisional
Total Operating Income	Rs. in Crs	216.97	249.79
OPBDIT	Rs. in Crs	16.89	17.97
PAT	Rs. in Crs	9.57	10.01
Tangible Net Worth	Rs. in Crs	37.73	42.42
TOL/TNW	Times	1.14	1.75
Current Ratio	Times	2.42	2.18

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED: NA

NON-COOPERATION WITH PREVIOUS RATING AGENCY, IF ANY : ICRA has migrated the rating to Issuer Not Cooperating on Nov 29, 2019.

RATING HISTORY FOR LAST 3 YEARS (INCLUDING WITHDRAWN/SUSPENDED)

Nature of Instrument	Facilities Availed	Current Rating (2020)			(Rs. Crores)						
		Tenure	Amount (In Crs)	Rating	2019*	2018	2017				
Bank Loan Facility	Fund Based	Long Term	42.57	BWR BBB (Stable) (Reaffirmed)	16-May-2019 <table border="1"> <tr> <td>FB</td> <td>38.20</td> <td>BWR BBB (Stable)</td> </tr> </table>		FB	38.20	BWR BBB (Stable)	---	---
FB	38.20	BWR BBB (Stable)									
Bank Loan Facility	Non Fund Based	Short Term	55.00	BWR A3+ (Reaffirmed)	16-May-2019 <table border="1"> <tr> <td>NFB</td> <td>52</td> <td>BWR A3+</td> </tr> </table>		NFB	52	BWR A3+	---	---
NFB	52	BWR A3+									
	Total		97.57	INR Ninety Seven Crores and Fifty Seven Lac Only							

*The Rating moved to the Rating Not Reviewed category on 18-May-2020.

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

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

Analytical Contacts	Investor and Media Relations
<p>Neha Wahi Primary Analyst +011-23412232 Extn 114 nehawahi@brickworkratings.com</p> <p>R K Sharma Senior Director – Ratings +011-23412232 Extn 104 rksharma@brickworkratings.com</p>	<p>Liena Thakur Assistant Vice President - Corporate Communications +91 84339 94686 liena.t@brickworkratings.com</p>

Asian Construction Company

ANNEXURE I

Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
1	Bank of Baroda	Overdraft	35.00	-	35.00
2		Gold scheme Facility	3.20	-	3.20
3		Term Loan - I	0.94	-	0.94
4		Term Loan - II	1.43	-	1.43
5		Term Loan - III	2.00	-	2.00
6		Bank Guarantee	55.00	-	55.00
TOTAL					97.57

INR Ninety Seven Crores and Fifty Seven Lacs Only



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