



Rating Rationale

Asian Construction Company

16 May, 2019

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹ 90.20 Crs. of Asian Construction Company.

Particulars

Facility	Amount rated (Rs. in Crs)	Tenure	Rating Assigned*
Fund Based	38.20	Long Term	BWR BBB (Pronounced as BWR Triple B) (Outlook : Stable)
Non Fund Based	52.00	Short Term	BWR A3+ (Pronounced as BWR Single A Three Plus)
Total	90.20	INR Ninety Crores and Twenty Lacs Only	

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

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has primarily relied upon the audited financials up-to FY18 and projected financials of FY19, FY20 and FY21 and publicly available information and the information/clarifications provided by the company.

The rating draws strength from the experienced partners, Central and State government departments being the primary customers, comfortable gearing and debt protection metrics, healthy order book position and efficient working capital management. The rating, however, 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.

Going forward, the ability of the company to improve its scale of operations and profitability margins, manage working capital efficiently and servicing the debt obligations timely would be the key rating sensitivities.



Description of 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 having 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. They have been primarily working with Central and State Government Departments which has reduced the counterparty risk for the firm.
- **Comfortable Debt protection metrics** - Firm has comfortable debt protection metrics with ISCR and DSCR at 3.18x and 1.98x respectively for FY18 which reflects the adequate funds available for servicing of debt.
- **Comfortable Gearing Ratio**– The entity has comfortable Gearing Ratio at 1.35 times as on FY18.
- **Comfortable conversion cycle** - The entity has been able to maintain the current ratio of 1.62 times as on FY 18. Also, the firm has been able to maintain gross conversion cycle of 64 days which ensures adequate liquidity.
- **Healthy Order Book position** : Firm has orders in hand of Rs. 345.19 Crs as on March 19 which provides revenue visibility in the medium term.
- **Liquidity** -Company has Overdraft facility of Rs. 32.00 crs and its average utilisation of the fund-based limits ranges 70%- 80% over the 6 months. Company has cash accruals of Rs 10.40 Cr in FY18 and CPLTD of Rs. 0.76 Crs to be paid in the next year. Company has cash & cash equivalent of Rs. 16.12 Crs including FDRs of Rs. 15.44 Crs as on FY18.

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 partnership concern, it is exposed to the risk of withdrawal of funds in case of personal exigencies.

Rating Outlook: Stable

BWR believes the **Asian Construction Company** 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

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.

Company Financial Performance

Key Parameters	Unit	FY 17 (Audited)	FY18 (Audited)
Total Operating Income	Cr	125.86	163.13
OPBDIT	Cr	11.14	13.92
PAT	Cr	6.88	7.74
Tangible Net worth	Cr	27.20	33.34
TOL/TNW	Times	1.16	1.35
Current Ratio	Times	1.63	1.62

Status of non-cooperation with previous CRA: ICRA has moved the rating to Non cooperation vide press release dated 15.04.2019.

Rating History for the last three years



Facility	Tenure	Rating Assigned (2019)		Rating History		
		Amount (Rs. Crs)	Rating	2018	2017	2016
Fund Based	Long Term	38.20	BWR BBB (Pronounced as BWR Triple B) (Outlook : Stable)	-	-	-
Non Fund Based	Short Term	52.00	BWR A3+ (Pronounced as BWR Single A Three Plus)			
Total		90.20	INR Ninety Crores and Twenty Lacs Only			

Hyperlink/Reference to applicable Criteria

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

For any other criteria obtain hyperlinks from website

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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.

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