



Rating Rationale

Avadh Infratech

29-March-2019

Brickwork Ratings revises/reaffirms the ratings for the Bank Loan Facilities of ₹. 24.78 Crores of Avadh Infratech.

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (July, 2017)	Present
Fund based	50.00	24.78	Long Term	BWR B+ (Outlook:Stable) (Pronounced as BWR Single B Plus)	BWR B+ Reaffirmed (Outlook:Stable) (Pronounced as BWR Single B Plus)
Total	50.00	24.78	INR Twenty Four Crores Seventy Eight Lakhs Only		

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

Ratings: Reaffirmed

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the firm’s audited financial results upto FY18, provisional financial results of FY19, projections ,publicly available information and information/clarifications provided by the partners.

The assigned ratings derives comfort from partner’s experience in the business, strategic location of being in Surat, the firm has already started functioning before the stipulated time. The rating is, however, constrained by high gearing level, partners, firm running into losses, high gearing level clubbed with low debt protection matrix and low liquidity position.

Going forward, the ability of the firm to achieve the projections, to recover from losses, to improve its overall financial risk profile would be the key rating sensitivities.



Description of Key Rating Drivers

Credit Strengths:

- Strong partners having an extensive **experience** of the industry.
- Strategic location in Surat, Gujarat.
- The firm has already started availing membership fees and club service income. The firm has started functioning before the stipulated time of 2020.
- The firm achieve operating profits.
- Adequate current ratio at 4.49x in provisional FY18

Credit Risks:

- High Maintenance expenses resulting in net losses for the firm.
- The gearing is high with Total Debt/TNW at 8.52x in FY 18. However if USL is considered as Quasi Capital the gearing improves to 2.87x
- The debt service protection matrix are below average with ISCR and DSCR below 1.
- Liquidity is stretched with low net cash accruals which may affect debt obligation payments.
- Competition from presence of established players in the market and other around the location.
- Changes in the government policies have a bearing on the profitability of the firm.

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 **Avadh Infratech** 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 Firm

M/s Avadh Infratech is a Partnership firm , incorporated on 9th April 2015 . Its registered office is at Surat. The Avadh Utopia Club- Vapi, is a project undertaken by Avadh Infratech and is a luxurious club on a 25700 sqmt land in Valsad.

Firm's Financial Performance

The firm recorded a TOI of Rs 17.26crs in FY18 as against FY17 in Rs 13.52crs a growth of 27.66%. The firm has achieved income of Rs 15.39crs till Jan 2019..



Rating History for the last three years

S.No	Facility	Current Rating			Rating History		
		Type	Amount (₹ Crs)	Rating	21, July 2017	2016	2015
1	Fund Based	Long Term	24.78	BWR B+ Reaffirmed (Outlook:Stable) (Pronounced as BWR Single B Plus)	BWR B+ (Outlook:Stable) (Pronounced as BWR Single B Plus)	-	-
Total			24.78	₹ Twenty Four Crores Seventy Eight Lakhs Only			

Status of non-cooperation with previous CRA (if applicable)-N.A

Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type		Audited	Audited
Operating Revenue	₹ Cr	17.26	13.52
EBITDA	₹ Cr	4.33	8.47
PAT	₹ Cr	-8.48	1.01
Tangible Net worth	₹ Cr	7.63	10.19
Total Debt/Tangible Net worth	Times	8.52	5.71
Current Ratio	Times	4.49	1.38

Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)



For any other criteria obtain hyperlinks from website

Analytical Contacts	Media
<p><i>Jayraj Bhatt</i> <i>Director - Ratings</i></p> <p>analyst@brickworkratings.com</p>	<p>media@brickworkratings.com</p>
	Relationship Contact
	<p>bd@brickworkratings.com</p>
<p>Phone: 1-860-425-2742</p>	

For print and digital media

The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

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.

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.