



RATING RATIONALE

24 Jan 2020

Indian Construction Company

Brickwork Ratings Reaffirms the ratings for the Bank Loan Facilities of ₹.5.75 Crores of Indian Construction Company

Particulars:

Facility**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (Dec, 2018)	Present
Fund based	2.50	2.50	Long Term	BWR B+ Stable	BWR B+ Reaffirmed Stable
Non Fund Based	3.25	3.25	Short Term	BWR A4	BWR A4 Reaffirmed
Total	5.75	5.75	INR Five Crores Seventy Five Lakhs 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

BWR has reaffirmed the credit rating on account of steady growth in revenue coupled with stable profit margins. In assigning the rating BWR has essentially relied on the audited financials till March 19, projected financials for FY20, publicly available information and information & clarification provided by the management.

The 'Stable' outlook indicates a low likelihood of rating change over in the medium term. BWR expects that ICC's business risk profile will be maintained over the medium term. The outlook may be revised to Positive if the Company records significantly better-than-expected revenue and profitability and improved working capital management, resulting in better debt coverage metrics and liquidity profile. The outlook may be revised to Negative if the Company reports significantly lower than expected performance, resulting in lower than estimated coverage indicators and a weaker liquidity position.



KEY RATING DRIVERS

Credit Strengths:

- **Experienced Promoter** : The firm was established by Vakeria & Family, has a long track record in the civil construction contracts of dams, canals, roads, bridges, underpass and other construction works in the execution of government tenders; having Status of “AA” class contractor with Government of Gujarat.
- **Average Financial risk profile** : Debt/TNW is 0.28 times & TOL/TNW is 2.70 in FY19. TNW is Rs. 3.96 Crs in FY19. Comfortable debt protection metrics with DSCR at 4.41 times & ISCR at 2.42 times in FY19.

Credit Risks:

- **Low scale of operations:** Total Operating Income (TOI) for FY19 increased by 16% to Rs.20.84 Crs. from Rs. 17.99 Crs. in FY18. However the scale of operations remained low, limiting the scale of economies. Net profit margins slightly improved in FY19. NPM was 2.36% for FY19.
- **Tender based operation & strong competition from the established players:** Intense competition may continue to constrain profitability and pricing power. Further, revenue and profitability depends on the ability of the company to competitively bid and win new work tenders.

ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

While assigning the ratings, BWR has applied its rating methodology as detailed in the Rating Criteria (hyperlinks provided at the end of this rationale). The Company does not have any subsidiaries.

RATING SENSITIVITIES

Positive:

- Substantial and sustained growth in revenue and profitability.
- Timely completion of project without cost overrun.

Negative:

- Decline in revenue and deterioration in profit margins.
- Delay in project execution with cost overrun.

LIQUIDITY POSITION : Adequate



ICC's liquidity position is adequate marked by healthy cash accruals and no long term loan obligation. The average utilization of the cash credit facilities has remained around 50%. Current ratio is 1.28 times for FY19.

COMPANY PROFILE

Indian Construction Company is a "AA" class contractor established in August- 2011 for execution of government tenders for civil construction contracts of dams, canals, roads, bridges, underpass and other construction works. ICC mainly outsources its awarded contracts to other sub-contractors. It is currently managed by Vakeria & Family, who have a longstanding experience in the civil construction business.

KEY FINANCIAL INDICATORS

Key Parameters	Units	FY19	FY18
Result Type		Audited	Audited
Operating Revenue	Rs.Crs.	20.84	17.99
EBITDA	Rs.Crs.	0.36	0.36
PAT	Rs.Crs.	0.49	0.40
Tangible Net Worth	Rs.Crs	3.96	3.50
Total Debt/Tangible Net Worth	Times	0.28	0.11
Current Ratio	Times	1.28	1.36

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED : NA

NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY : NA

RATING HISTORY

Instrument / Facilities	Current Rating ^			Rating History		
	Tenure	Amount (₹ Cr)	Rating	Dec, 2018	2017	2016
Fund Based	Long Term	2.50	BWR B+ Reaffirmed Stable	BWR B+	NA	NA
Non Fund Based	Short Term	3.25	BWR A4 Reaffirmed Stable	BWR A4	NA	NA
Total		5.75	INR Five Crores Seventy Five Lakhs Only			

^Rating was moved to not reviewed category on 30 Dec, 2019.

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](#)
- [Short Term Debt](#)

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Indian 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.	Corporation Bank	Fund Based: Over draft	2.50	0.00	2.50
		Non Fund Based: Bank Guarantee	0.00	3.25	3.25
TOTAL					5.75

Total Rupees Five Crores Seventy Five Lakhs only.

For print and digital media

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