Rating Rationale

National Highway Construction Co

8 Jun 2018

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 7.50 Crores of National Highway Construction Co.

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based	4.50	Long Term	BWR BB- Pronounced as BWR Double B Minus (Outlook: Stable)
Non Fund Based	3.00	Short Term	BWR A4 Pronounced as BWR Single A Four
Total	7.50	INR Seven Crores Fifty Lakhs Only	

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

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon National Highway Construction Co's (NHCC or "the firm") audited financial results upto FY17 and projected financial data of FY18 and FY19 and publicly available information and the information/clarifications provided by the firm.

The rating draws strength from an established presence and comfortable profit margins. However, the rating is constrained by low tangible net worth, low scale of operations and weak debt protection metrics.

Further, being a proprietorship firm, any significant withdrawal from the capital/current account by the proprietor would adversely impact the capital structure, hence this remains a rating sensitivity.

Going forward, the ability of the firm to increase the turnover levels, profitability, scale of operations, the financial risk profile and managing its working capital efficiently will be the key rating sensitivities.

Description of Key Rating Drivers

- **Credit Strengths:**

Established Presence: The firm is operating since 25 years and hence has an established presence, similarly the proprietor also has an experience of 25 years

Profit Margins: The firms currently earns moderately good profit margins with net profit and operating profit at 2.52 % and 7.30 % respectively

Conversion Cycle: Conversion cycle stands at 54 days, reflecting a moderate cash conversion days

- **Credit Risks:**

Low Tangible Net Worth: The Tangible Networth of the firm stands low at ₹1.99 crores as on 31st March, 2018 , with the risk of being withdrawn as the firm is a proprietorship concern

Scale of Operations: The scale of operations is low in FY17, reflecting only a total operating income of ₹13.38 crores. Also, the scale of operations has decreased in FY17 by ₹2.76 crores (17.10%); from ₹16.14 crores in FY16 to ₹13.38 crores in FY17

Weak Debt Protection Metrics: Weak Debt protection metrics is reflected by the firm with a gearing of 3 times, and ISCR and DSCR of 1.49 times and 1.28 times respectively

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 **National Highway Construction Co** 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

National Highway Construction Co (NHCC or "the firm") is a proprietorship firm established in the year 1993 (operating since 25 years) .The proprietor is Mr. Devendra Prakash Agarwal.The firm is engaged in the business of Civil Construction (Mostly construction of roads).The firm acquires its projects from UPPWD (Uttar Pradesh Public Works Department), through competitive bidding process.

Firm Financial Performance

The firm reported a total operating income of Rs.13.38 Crs in FY17 and Rs.16.14 Crs in FY16. Net profit margin was at 2.38% in FY17 and 2.52% in FY16. Tangible Networth stood at Rs.1.99 Crs as on 31st March 2017 and Rs.1.89 Crs. on 31st March, 2016.

Rating History for the last three years

S.No	Instrument /Facility	Current Rating (2018)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2017	2016	2015
1.	**Fund Based**	Long Term	4.50	**BWR BB- Pronounced as BWR Double B Minus Outlook: Stable**	**NA**	**NA**	**NA**
2.	**Non Fund Based**	Short Term	3.00	**BWR A4 Pronounced as BWR Single A Four**			
	Total		**7.50**	**₹ Seven Crores Fifty Lakhs Only**			

Status of non-cooperation with previous CRA (if applicable)-Reason and comments
Any other information

Key Financial Indicators

Key Parameters	Units	2017	2016
Result Type			
Operating Revenue	₹ Cr	13.38	16.14
EBITDA	₹ Cr	1.18	1.18
PAT	₹ Cr	0.32	0.41
Tangible Net worth	₹ Cr	1.99	1.89
Total Debt/Tangible Net worth	Times	3.00	3.48
Current Ratio	Times	1.06	0.96

Hyperlink/Reference to applicable Criteria

- General Criteria
- Approach to Financial Ratios

- **Manufacturing 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, 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 ₹ 10,00,000 Cr. In addition, BWR has rated over 6300 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹24,440 Cr have been rated.

DISCLAIMER

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