



Rating Rationale

North East Engineering & Construction

13 Mar 2019

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 11.00 Crores of North East Engineering & Construction.

Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based: Cash Credit	3.25	Long Term	BWR BB- (Pronounced as BWR Double B Minus) Outlook: Stable
Non Fund Based: Bank Guarantee	7.75	Short Term	BWR A4 (Pronounced as BWR A Four)
Total	11.00	INR Eleven Crores Only	

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

Ratings assigned:

Brickwork Ratings assigned the long term rating of 'BWR BB-' with "Outlook: Stable" and short term rating of BWR A4 to the bank loan facilities aggregating Rs.11.00 Crores of North East Engineering and Construction ('NEEC', or 'the firm').

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financials of the Firm up-to FY18, projections up-to FY20 and publicly available information and information/clarifications provided by the management.

The Rating draws strength from extensive experience of the proprietor, comfortable debt protection metrics and reputed clientele base. The ratings are however constrained by relatively moderate scale of operations, fragmented & competitive nature of the industry and inherent limitations of the firm's constitution.

Going forward, ability of the the firm to scale up its operations while improving its profit margins and to strengthen its credit profile will be the key rating sensitivities.

Description of Key Rating Drivers

Credit Strengths:

- **Locational Advantage:** The firm is located in Guwahati cluster and thus has a competitive advantage in terms of skilled labor, logistics, and vendors making the company more efficient and cost effective.
- **Debt Protection Metrics:** DSCR and ISCR of the firm stood at 2.89 and 3.44 respectively in FY18 indicating firm's adequacy to meet its debt obligations.
- **Firm's Existence & Proprietor's Experience:** The company is in existence for 16 years and has seen complete business cycles. The proprietor of the firm is well experienced..

Credit Risks:

- **Constitution:** Withdrawal of capital by the proprietor for any personal contingency would adversely affect the capital structure of the firm. Limitations of Proprietorship constitution in terms of capital and management.
- **Competition in the Industry:** Entry barriers in the industry are low on account of limited capital and technology requirement and also low differentiation in the end product leading to intense competition and limiting the pricing power resulting in low profitability

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 **North East Engineering & Construction** 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

NEEC was established in 1992 as a proprietorship firm by Mr. Amar Baruah who looks after the day to day working of the firm. The firm is engaged in both mechanical and civil construction works, primarily for the public sector undertakings. Some of the reputed clients of the firm include Oil India Ltd, IOCL, etc.



Firm's Financial Performance

As per audited financials of FY18, the firm has reported total operating income of ₹ 31.38 Crores against ₹ 25.18 Crores in FY17. The operating profit margin of the firm stood at 15.96% in FY18 as against 14.90% in FY17. Tangible Net Worth of the firm has improved from ₹ 4.56 crores in FY17 to Rs. 6.79 crs in FY18.

Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type		Audited	Audited
Operating Revenue	₹ Cr	31.38	25.18
EBITDA	₹ Cr	5.01	3.75
PAT	₹ Cr	2.99	(1.78)
Tangible Net worth	₹ Cr	6.79	4.56
Total Debt/Tangible Net worth	Times	0.68	1.28
Current Ratio	Times	1.28	1.18

Rating History for the last three years

S.No	Instrument /Facility	Current Rating(2019)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2018	2017	2016
1.	Fund Based	Long Term	3.25	BWR BB- (Pronounced as BWR Double B Minus) Outlook: Stable	NA	NA	NA
2.	Non Fund Based	Short Term	7.75	BWR A4 (Pronounced as BWR A Four)	NA	NA	NA
	Total		11.00	₹ Eleven Crores Only			



Status of non-cooperation with previous CRA (if applicable)- CRISIL B/Stable(Issuer Not Cooperating)/CRISIL A4(Issuer Not Cooperating) as on Sept 11, 2018 due to non availability of information.

Any other information

Hyperlink/Reference to applicable Criteria

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

For any other criteria obtain hyperlinks from website

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For print and digital media

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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.



DISCLAIMER

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