



Rating Rationale

8May2019

Vidhata Associates

Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹. 16.50 Crores of Vidhata Associates.

Particulars

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (14Feb2018)	Present
Fund based	5.50	5.50	Long Term	BWR BB (Pronounced as BWR Double B) Outlook : Stable	BWR BB (Pronounced as BWR Double B) Outlook : Stable Reaffirmed
Non Fund Based	11.00	11.00	Short Term	BWR A4 (Pronounced as BWR A Four)	BWR A4 (Pronounced as BWR A Four) Reaffirmed
Total	16.50	16.50	INR Sixteen Crores & Fifty Lakhs Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings
Complete details of Bank facilities is provided in Annexure-I

Ratings: Reaffirmed

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has essentially relied upon the Firm's audited financial results up to FY18, Management certified Provisional Financials for FY19, Projections of FY20, publicly available information and the information/clarifications provided by the Firm.

The rating has factored, long standing experience of the partners in the construction industry and established business operations along with moderate order book position, moderate financial risk profile and well-established customer profile. The ratings are constrained by the tender driven nature of business. Further, being a partnership firm, any significant withdrawal from the capital/current account by the partners would adversely impact the capital structure, hence this remains a rating sensitivity.



The rating outlook is expected to be stable over the current year. Going forward, the ability of the Firm to increase revenues, diversify into other geographical areas, bag new contracts ensuring revenue visibility and timely execution of orders are the key rating sensitivities.

Description of Key Rating Drivers

Credit Strengths:

- **Experienced Promoters** : The firm was established in 1986 by Mr. Rajnikant Patel & his three partners. They have a long track record in the tender based civil construction business. The firm is registered 'AA' class contractor for construction of Road and Building mainly for projects handled by Govt. of Gujarat. The partners have extensive experience of more than four decades in this line of activity.
- **Modest revenue & Healthy Book order position** : The firm achieved a total operating income of Rs. 48.61 Crs in FY18 as compared to Rs. 45.70 Crs in FY17. The firm has a healthy order book position of Rs. 169.89 crores providing future revenue visibility.
- **Moderate Financial risk profile** : Debt/TNW was 2.04x in FY17, and it further improved to 0.56x in FY18 due to decreased debt burden. TOL/TNW was 2.22 in FY18, due to high level of creditors. TNW was moderate at Rs. 5.59 Crs in FY18 on account of retained profits in business every year. Debt protection metrics are comfortable. ISCR was 2.73x in FY18 due to improved profit margins.

Credit risks:

- **Vulnerability of profitability**: Profit margins are decent. Net Profit Margin improved from 5.05% to 7.25% and Operating Profit Margin from 1.33% to 2.56% in FY17 & FY18 respectively, however, profit margins are vulnerable due to high operating cost, Working capital-intensive nature of operations and high competition in the fragmented civil construction sector.
- **Tender driven nature of business** : Execution risks for newly awarded projects in a timely manner will be key to achieving growth in revenues and profits. Business certainty is dependent on the Firm's ability to successfully bid for the tenders as entire business is tender based. Further, the firm's operation is restricted to Gujarat region only.

Liquidity Profile : The current ratio of the company stood at 1.53 times in FY18 as against 1.90 times in FY17. The working capital cycle of the company has remained comfortable on account of comfortable receivable cycle and relatively moderate utilization of working capital facilities.

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 that **Vidhata Associates'** 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

Vidhata Associates was established in 1986 and subsequently got reconstituted in 2005. The Firm is a Gandhinagar-based (Gujarat) partnership firm engaged in civil construction business. Vidhata Associates is a 'AA' class contractor registered with Road and Building Department (Govt. of Gujarat) and works generally on government contract of Roads and Building Department, Project Implementation Unit and Gujarat Council of Primary Education Department of Govt. of Gujarat.

The firm is managed by Mr. Rajnikant R Patel and his three partners, who have more than three decades of experience in the similar line of business.

Financial Performance

The total operating income from operations was Rs. 48.61 Cr with a PAT of Rs. 3.77 crores in FY18 as against total operating income of Rs. 45.70 crores with a PAT of Rs. 2.31 crores in FY17. The tangible net worth stood at Rs. 5.59 crores as on March 31, 2018.

As per the management Certified Provisional financials for FY19, the Firm has achieved revenue of Rs. 42.29 crores.

Rating History for the last three years

S.No	Facility	Current Rating			Rating History		
		Type	Amount (₹ Crs)	Rating	14Feb2018	2017	2016
1	Cash Credit	Long Term	5.50	BWR BB (Pronounced as BWR Double B Outlook : Stable Reaffirmed	BWR BB (Pronounced as BWR Double B Outlook : Stable	Not Rated	Not Rated
2	Bank Guarantee	Short Term	11.00	BWR A4 (Pronounced as BWR A Four) Reaffirmed	BWR A4 (Pronounced as BWR A Four)	Not Rated	Not Rated
Total			16.50	₹ Sixteen Crores & Fifty Lakhs Only			

Status of non-cooperation with previous CRA (if applicable)- Not Applicable

Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type		Audited	Audited
Operating Revenue	Rs. in Crs	48.61	45.70
EBITDA	Rs. in Crs	3.05	1.13
PAT	Rs. in Crs	3.77	2.31
Tangible Net worth	Rs. in Crs	5.59	4.44
Total Debt/Tangible Net worth	Times	0.56	2.04
Current Ratio	Times	1.90	1.90



Hyperlink/Reference to applicable Criteria

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