

**Brickwork Ratings reaffirms the ratings for the Bank Loan Facilities of ₹ 14.50 Crores of Viswateja Constructions.**

**Particulars**

Facility	Amount (₹ Crs)		Tenure	Rating*	
	Previous	Present		Previous (Mar, 2018)	Present
<b>Fund based Secured OD</b>	<b>5.50</b>	<b>5.50</b>	<b>Long Term</b>	<b>BWR BB-</b> (Pronounced as BWR Double B Minus) <b>Outlook: Stable</b>	<b>BWR BB-</b> (Pronounced as BWR Double B Minus) <b>Outlook: Stable (Reaffirmed)</b>
<b>Non Fund Based Bank Guarantee</b>	<b>9.00</b>	<b>9.00</b>	<b>Short Term</b>	<b>BWR A4</b> (Pronounced as BWR A Four)	<b>BWR A4</b> (Pronounced as BWR A Four) <b>(Reaffirmed)</b>
<b>Total</b>	<b>14.50</b>	<b>14.50</b>	<b>INR Fourteen Crores and Fifty Lakhs Only</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

**Ratings: Reaffirmed**

**Rationale/Description of Key Rating Drivers/Rating sensitivities:**

BWR has relied upon the audited financials upto FY18, provisional financials of FY19, projected financials upto FY21, publicly available information and information provided by the management of the firm.

The ratings draw strength from the experience of the partners, established track record of the firm and an average financial risk profile. The ratings are however constrained by the small scale of operations, low net worth, highly competitive industry and inherent risk associated with the constitution of the firm as partnership.

Going forward, the ability of the firm to increase the scale of operations, improve profitability, infuse own funds and service the debt obligations promptly would be the key rating sensitivities.



## Description of Key Rating Drivers

### Credit Strengths:

- The partners have over a decade of experience in the industry. The firm was established in 2008 and has been able to successfully bag repeat orders.
- The firm's financial risk profile is marked by moderate gearing of 1.56x, comfortable debt metrics with Interest service coverage ratio of 4.56x and Debt service coverage ratio of 2.77x and satisfactory current ratio of 2.76x in FY18.

### Credit Risks:

- Small scale of operations marked by Net sales of ₹ 34.64 Crs in FY18. As per the FY19 provisionals, Net sales have reduced to ₹ 30.29 Crs.
- Net worth is low at ₹ 9.52 Crs in FY18. Also, partners have withdrawn capital to the tune of ₹ 27.01 Lakhs in FY19.
- The industry is highly competitive with a large number of players. The firm has limited bargaining power due to the tender based system of receiving orders and is also exposed to the risk of time and cost overrun.
- Inherent risk in a partnership firm refers to the risk of withdrawal of capital by the partners which may adversely affect the capital structure.

## 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 **Viswateja Constructions** 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

Viswateja Constructions is a partnership firm established on 1st April 2008 in Rajahmundry, Andhra Pradesh. The firm is registered as a Special class (CIVIL) contractor and executes road and irrigation projects for government departments such as Roads & Building department, Irrigation and Command Area Development, Panchayathi Raj etc in Andhra Pradesh.

## Firm's Financial Performance

The firm has reported Net sales of ₹ 34.64 Crs and PAT of ₹ 1.98 Crs in FY18 as against Net sales of ₹ 15.65 Crs and PAT of ₹ 0.18 Crs in FY17. Net profit margin has increased from 1.13% in FY17 to 5.17% in FY18 while Operating profit margin has decreased from 18.34% in FY17 to 10.80% in FY18.

As per the provisional financials, the firm has reported Net sales of ₹ 30.29 Crs and PAT of ₹ 1.56 Crs in FY19.

### Rating History for the last three years

Facility	Current Rating			Rating History		
	Type	Amount (₹ Crs)	Rating	26.3.2018	2017	28.11.2016
<b>Fund Based</b>	Long Term	5.50	<b>BWR BB-</b> (Pronounced as BWR Double B Minus) <b>Outlook: Stable</b> <b>(Reaffirmed)</b>	<b>BWR BB-</b> (Pronounced as BWR Double B Minus) <b>Outlook: Stable</b>	<b>Not Reviewed</b>	<b>BWR BB</b> (Pronounced as BWR Double B) <b>Outlook: Stable</b>
<b>Non Fund Based</b>	Short Term	9.00	<b>BWR A4</b> (Pronounced as BWR A Four) <b>(Reaffirmed)</b>	<b>BWR A4</b> (Pronounced as BWR A Four)	<b>Not Reviewed</b>	<b>BWR A4</b> (Pronounced as BWR A Four)
<b>Total</b>		<b>14.50</b>	<b>₹ Fourteen Crores and Fifty Lakhs Only</b>			

*Note: Initial rating was done on 24 Sep 2014 and the rating assigned was BWR BB-/A4 (Outlook: Stable). On 24 Nov 2015, the ratings were revised to BWR BB/A4 (Outlook: Stable).*

**Status of non-cooperation with previous CRA: Nil**

**Any other information: Nil**

### Key Financial Indicators

Key Parameters	Units	2018	2017
Result Type		Audited	Audited
Total Operating Income	In ₹ Crs	38.34	15.98
EBITDA	In ₹ Crs	4.14	2.93
PAT	In ₹ Crs	1.98	0.18
Tangible Net worth	In ₹ Crs	9.52	6.30
Total Debt/Tangible Net worth	Times	1.56	1.61
Current Ratio	Times	2.76	1.80



## 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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### 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](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto: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.



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