

## Rating Report

### Brickwork Ratings assigns 'BWR B+' & 'BWR A4' for Bank Loan Facilities amounting to ₹ 8.75 Cr of Abhiraj Engicon Pvt. Ltd.

Brickwork Ratings (BWR) has assigned the **Ratings**<sup>1</sup> of 'BWR B+' for the long term Bank Loan facilities of ₹ 6.25 Cr and 'BWR A4' for the Short term Bank Loan facilities of ₹ 2.50 Cr of Abhiraj Engicon Pvt. Ltd. ("*AEPL*" or "*the Company*").

Facility	Limits (₹ Cr)	Tenure	Rating
<b>Fund Based</b> Cash Credit	6.25	Long Term	<b>BWR B+</b> (Pronounced BWR B Plus) <b>Outlook: Stable</b>
<b>Non Fund Based</b> Bank Guarantee	2.50	Short Term	<b>BWR A4</b> (Pronounced BWR A Four)
<b>Total</b>	<b>8.75</b>	<b>( INR Eight Crore and Seventy Five Lacs only)</b>	

BWR has principally relied upon the audited financial results of AEPL up to FY 13, FY 14 provisional and further projected financials, publicly available information and information/clarification provided by the Company management.

The ratings are primarily constrained by the small scale of operations of Abhiraj Engicon Pvt. Ltd. (AEPL), below average financial risk profile marked by fluctuating profit margins and small net worth. The ratings are further constrained by high customer concentration risk and its presence in the intensely competitive civil construction industry. The above constraints far offset the benefits derived from the experienced promoters and long track record of operation.

### Background

Incepted in 1995 as a partnership firm and reconstituted as a private limited company in 2007. AEPL was formed with intent to undertake civil construction contracts, mainly for construction of earthen dams, canals, weirs, and storage tanks across various sites in Maharashtra. AEPL is registered as a Class 1 (A) contractor with the Water Resources Department, Maharashtra.

### Financial Performance

The company has clocked in total operating income (TOI) of Rs.11.49 Cr during FY 13 against Rs.11.76Cr for the previous year. Further operating margins of the company declined to 14.20% in FY 13 due to increase in subcontracting charges. Despite of lower proportionate EBITDA, net margin of AEPL remained flat due to lower interest out go and higher non-operating income

<sup>1</sup> Please refer to [www.brickworkratings.com](http://www.brickworkratings.com) for definition of the Ratings

which is not integral to the operations of the Company . Overall gearing of AEPL marginally improved to 1.95x in FY13 (2.01 times as on March 31, 2012) partly on account of marginal increase in net worth level attributable to profit accruals for the period and reduction in term debt. The debt protection metrics as reflected by interest coverage and Net cash accruals to total debt continues to stay moderate at 1.94x (2.26x in FY12) and 0.15 times as on March 31, 2013 (0.16 times as on March 31, 2012). Operation of AEPL will remain working capital intensive driven by its large work-in-progress inventory because of a number of ongoing projects and delays in realizing bills from government departments along with requirements for maintaining security deposits and blockage of funds in retention money. BWR expects the financial risk profile of AEPL will remain under pressure in medium term due to small net worth base. As per FY 14 provisional financial company recorded PAT of Rs. 1.23 Cr on TOI of Rs.12.85 Cr

### Rating Outlook

Going forward, the ability of AEPL to execute the projects as per the estimated schedule, Increase the scale of operations and diversify its order-book across sectors shall remain the key rating sensitivities.

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**Annexure I - Key Financials - Abhiraj Engicon Pvt. Ltd.**

Particulars (Rs. Crores)	FY 2011	FY 2012	FY 2013
	A	A	A
Operating Income	14.01	11.76	11.49
EBITDA	2.07	2.60	1.63
PAT	0.60	0.57	0.51
Long term borrowings	2.73	1.54	0.43
Short term borrowings	5.43	6.90	8.33
Total Debt	8.16	8.44	8.76
Paid Up Equity Capital	1.50	1.50	1.50
Reserves & Surplus	1.87	2.70	3.00
Tangible Net worth (Rs. Cr)	3.37	4.20	4.50
Debt to Equity (x)	2.42	2.01	1.95
Interest Coverage (x)	2.43	2.26	1.94
Debt Service Coverage (x)	2.57	1.64	2.05
EBITDA Margin (%)	14.75%	22.09%	14.20%
PAT Margin (%)	4.31%	4.86%	4.47%
Net Cash Accruals / Total Debt (x)	0.16	0.16	0.15
Current Ratio (x)	0.52	0.87	0.93

*\*Calculations has been based on BWR ratio definition*