

Rating Rationale

Brickwork Ratings assigns 'BWR BB' & 'BWR A4' for the Bank Loan Facilities aggregating ₹ 60 Cr for Amrutha Constructions Pvt. Ltd.

Brickwork Ratings (BWR) has assigned following **Rating¹** for the Bank Loan Facilities of Amrutha Constructions Private Limited (ACPL).

Proposed Facility	Tenure	Amount (₹ Cr)	Rating
Fund Based Cash Credit	Long Term	30.00	BWR BB (BWR Double B) (Outlook – Stable)
Non Fund Based Bank Guarantee	Short Term	30.00	BWR A4 (BWR A Four)
Total		60.00	(INR Sixty Crores only)

BWR has principally relied upon the company's audited financial results up to FY12, provisional statements for FY13 and projections for FY14 & FY15, publicly available information and information/clarification provided by the management.

The rating has factored in the growing revenues, corporatization of the company, diversified customer base allowing easy rotation of funds and efficient operating cycle. However, the rating is constrained by low profit margin due to increase in the interest costs, relatively high amount of debt with moderate Net worth and limited geographical reach.

Background

Amrutha Constructions Private Limited was founded as a Proprietorship Concern known as P. Venkateshwara Rao & Co. in 1988 and later got converted into a Private Limited Company in 2006. The Company started with executing minor repair and routine maintenance works for Karnataka Public Works department and Minor Irrigation Department of the Government of Karnataka. Gradually, it started handling bigger Infrastructure and Construction projects for clients like KBJNL, KNNL, KIADB and KSCC.

Business & Operations Overview:

The Company is registered as a Class-I contractor with the various Government Departments such as KPWD Government of Karnataka, Karnataka Neeravari Nigam Limited, Krishna Bhagya

¹ Please refer to www.brickworkratings.com for definition of the Ratings

Jala Nigam Limited etc. It is also registered as a Special Class-I contractor with Irrigation Department, Government of Gujarat. ACPL has completed Minor Irrigation projects worth Rs. 39.50 Cr and Major Irrigation Projects worth Rs. 280.44 Cr in the last financial year. Currently it has ongoing projects worth Rs. 1382 Cr and tenders under consideration worth Rs. 520 Cr.

Management Details:

Mr. P. Venkateshwara Rao, the promoter as well as one of the directors of the Company, is Graduate in Science with an experience of 25 years holding about 49% shares of the Company. Ms. P. Padmavathi is another director of the company. She is also a Graduate in Science with an experience of 15 years holding 8% shares of the company. The remaining two directors are Ms. P. Amrutha and Ms. P. Amala who are MBA and BE respectively. Each of them holds 8% shares of the company. The remaining shares are held by Mr. Ravi Raju Bose who is associated with Bose Infra Energy India Private Limited and his relatives.

Financial Highlights:

The company recorded Revenue of Rs.185.54 Cr and Net Profit Margin of 4.08% in FY12. The Tangible Net Worth is Rs.18.43 Cr and Debt-to-Equity is 1.57 times for FY12. The Current Ratio was 1.31 as on 31.3.12.

As per the provisional financials for FY13, ACPL has recorded Revenue of Rs.230.74 Cr and a Net Profit Margin of 4%. The Debt-to-Equity for FY13 is 2.42 times.

Rating Outlook:

Going forward, the ability of ACPL to increase its revenues and net profit margins while ensuring a healthy liquidity position and maintaining a healthy capital structure would be the key rating sensitivities. The outlook is expected to be stable over the current year.

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