

Press Release

Balaji Road Constructions

March 18, 2017

Rating Assigned

Total Bank Facilities Rated*	Rs. 8.00 Cr.
Long Term Rating	SMERA BB- / Outlook: Stable
Short Term Rating	SMERA A4+

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA BB-**' (read as **SMERA BB minus**) and short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on the Rs. 8.00 crore bank facilities of Balaji Road Constructions. The outlook is '**Stable**'.

Balaji Road Constructions (BRC), established in 2000 as a partnership firm is engaged in the construction of bridges, flyovers for the Telangana government. The promoters, Mr. Ashok Patel, Mr. Srikanth Patel and Mr. Amit Patel have extensive experience in the execution of infrastructure projects.

Key Rating Drivers

Strengths

- **Long term relations with government agencies**

The firm has executed various projects and enjoys long term relations with government organisations associated with the Telangana government.

- **Healthy order book position**

BRC has healthy order book position marked by current orders in hand of Rs. 50 cr out of which the firm has executed orders worth Rs 20 cr.

- **Healthy financial risk profile**

BRC has healthy financial risk profile with gearing of 1.15 times as on 31st March 2016. The total debt mainly consists of unsecured borrowings from family members. The coverage indicators are healthy with interest coverage ratio (ICR) of 9.51 times in FY2016 and 5.71 times in FY2015. The operating margins have been healthy at 9.94 percent in FY2015-16 over 9.58 percent in FY2014-15. The PAT margin stood at 7.52 percent in FY2015-16 over 6.64 percent in FY2014-15.

- **Established track record of operations and experienced management**

BRC was established in 2000 as a partnership firm by Mr. Ashok Patel, Mr. Srikanth Patel, Mr. Amit Patel. The promoters possess extensive experience in the industry.

Weaknesses

- **Competitive and fragmented industry**

The firm is exposed to intense market competition in the civil construction industry. Also, the nature of business is tender based.

- **Moderate scale of operations**

The operations of BRC are considered to be at a moderate level despite the firm being in the construction business from the last decade. Being a civil contractor, the revenue depends on the number of successful bids and tenders won.

• Customer concentration risk

BRC is in the process of executing bids for the Telangana government. The firm is exposed to customer concentration risk since it caters only to the Telangana government.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of the firm.

Outlook: Stable

SMERA believes that BRC will maintain a stable outlook in the medium term owing to its experienced management. The outlook may be revised to 'Positive' in case the firm registers higher-than-expected growth in revenues and net cash accruals while maintaining healthy debt protection metrics. Conversely, the outlook may be revised to Negative in case the firm registers lower-than-expected growth in revenue, profitability or deterioration in the financial risk profile.

About the Rated Entity - Key Financials

The firm registered profit after tax (PAT) of Rs. 2.40 cr on operating income of Rs. 31.83 cr for FY2015-16 as compared to PAT of Rs. 1.60 cr on operating income of Rs. 24.05 cr for FY2014-15.

Status of non-cooperation with previous CRA (if applicable)

None

Any other information

None

Applicable Criteria

- Default Recognition - <https://www.smera.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Infrastructure Entities - <https://www.smera.in/criteria-infra.htm>

Note on complexity levels of the rated instrument

<https://www.smera.in/criteria-complexity-levels.htm>

Rating History (Upto last three years)

Not Applicable

*Annexure – Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Cr.)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Applicable	5.50	SMERA BB- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	2.50	SMERA A4+

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ABOUT SMERA

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