

## Press Release

### A B S CONSTRUCTION CO

October 25, 2017

#### Rating Assigned



<b>Total Bank Facilities Rated*</b>	Rs. 10.00 Cr.
<b>Long Term Rating</b>	SMERA B+ / Outlook: Stable

\* Refer Annexure for details

#### Rating Rationale

SMERA has assigned long-term rating of '**SMERA B+**' (read as **SMERA B plus**) on the Rs. 10.00 crore bank facilities of A B S CONSTRUCTION CO. The outlook is '**Stable**'.

ABS Construction Company (ABS), is a Haryana-based partnership firm established by Partners, Mr. Ashok Kumar and Mr. Sonu Kumar in 2010. The firm primarily undertakes construction of roads and bridges for state governments as also private players.

#### Key Rating Drivers

##### Strengths

- **Experienced management**

The Partners, Mr. Ashok Kumar and Mr. Sonu Kumar have experience of around two decades in the Engineering Procurement and Construction industry. The firm is ably supported by a second line of management.

- **Healthy order book**

The firm has a healthy order book of Rs.42.80 crore that provides revenue visibility for the medium term.

##### Weaknesses

- **Average financial riskprofile**

The average financial risk profile is marked by low networth of Rs.1.72 crore as on 31 March, 2017 compared to Rs.0.91 crore as on 31 March, 2016. The gearing stood at a moderate 0.81 times as on 31 March, 2017 as against 1.00 times in the previous year. The moderate gearing is on account of low net worth of Rs.1.72 crore as against the total debt of Rs.1.39 crore in FY2016-17. The total debt includes term loan of Rs.0.45 crore, unsecured loan of Rs.0.19 and cash credit of ~ Rs 0.75 crore. The interest coverage of the firm stands moderate at 1.74 times in FY2017 as against 1.28 times in the previous year. The debt service coverage ratio (DSCR) is moderate at 1.95 times in FY2017 compared to 1.32 times in FY2016. The net cash accruals by total debt (NCA/TD) stood at 0.22 times in FY2017 compared to 0.06 times in FY2016. SMERA expects the firm to continue its average risk profile in the medium term. Further the firm's ability to improve its net worth along with debt protection metrics will remain key credit monitorables.

- **Modest scale of operations, tender based business**

The scale of operations is moderate with turnover of around Rs.19.57 crore in FY2017 compared to Rs.3.16 crore in the previous year. The operating income increased mainly on account of healthy order book from government institutions. The business is highly dependent on the firm's ability to successfully bid for contracts. However, the partner's experience and long term relations partially mitigates this risk.

- **Intense competition**

The firm operates in a highly fragmented industry with limited entry barriers wherein the presence of large number of players in the unorganised sector limits the bargaining power with customers.

### Analytical Approach

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

### Outlook: Stable

SMERA believes that the firm will maintain a stable outlook over the medium term owing to the extensive experience of the management. The outlook may be revised to 'Positive' if the firm achieves higher than the projected growth in revenues and profitability or improvement in financial risk profile. Conversely, the outlook may be revised to 'Negative' in case of significant deterioration in the financial risk profile due to debt-funded capital expenditure.

### About the Rated Entity - Key Financials

For FY2016-17, ABS reported PAT of Rs.0.22 crore on operating income of Rs.19.57 crore compared with PAT of Rs.0.02 crore on operating income of Rs.3.16 crore for FY2015-16. The net worth stood at Rs.1.72 crore as on 31 March, 2017 compared to Rs.0.91 crore a year earlier.

### 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>
- Infrastructure Entities - <https://www.smera.in/criteria-infra.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.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	1.95	SMERA B+ / Stable
Term loans	Not Applicable	Not Applicable	Not Applicable	0.32	SMERA B+ / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	3.50	SMERA B+ / Stable
Proposed Bank Facility	Not Applicable	Not Applicable	Not Applicable	4.23	SMERA B+ / Stable

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## ABOUT SMERA

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