

Press Release

ASHA CONSTRUCTION

December 11, 2017

Rating Assigned



Total Bank Facilities Rated*	Rs. 7.00 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**) on the Rs. 7.00 crore bank facilities of ASHA CONSTRUCTION. The outlook is '**Stable**'.

Asha Construction (AC) established in 2008 is a Raipur-based firm led by Mr. Ajay Jain and Mr. Abhay Jain. The firm is engaged in mass excavation, earthen embankment, mining, concrete lining among others. It caters to the Jharkhand and Chhattisgarh governments as well as private entities.

Key Rating Drivers

Strengths

- **Experienced management**

The firm is headed by Mr. Ajay Jain and Mr. Abhay Jain who possess around two decades of experience in mining, logistics and civil construction.

- **Reputed clientele**

The firm caters to a reputed client base including BGR Energy Systems Limited, Central Coalfield Limited, Chhattisgarh State Power Generation Company Limited to name a few.

- **Healthy profitability**

The operating margins (EBIDTA) stood at 32.53 per cent in FY2017 as against 26.63 per cent in FY2016. The consistent improvement in EBITDA margins is on account of decline in raw material as well as other costs as a percentage of sales. The PAT margin stood at 4.25 per cent in FY2017 compared to 4.11 per cent in FY2016.

Weaknesses

- **Modest scale of operations**

AC operates at a modest scale. The revenue stood at Rs. 21.83 crore in FY2017 as against Rs.19.45 crore for FY2016. However, the firm reported revenue of Rs. 19.00 crore for the period April 2017 - October 2017 (Provisional). The current order book of the firm stands at Rs.133.32 crore to be executed by October 2023 which lends moderate revenue visibility over the medium term.

- **Average financial risk profile**

The financial risk profile is average marked by low networth, high gearing and healthy debt protection measures. The networth levels stood at Rs. 6.32 crore as on 31 March, 2017 and Rs. 5.98 crore as on 31 March, 2016. The gearing stood at 3.14 times as on 31 March, 2017 as against 2.16 times as on 31 March, 2016. The total debt of Rs.19.81 crore includes term loans from banks of Rs.16.01 crore and working capital funds of Rs. 3.80 crore. The Interest coverage ratio stood at 2.94 times for FY2017 as against 2.24 times in FY2016. The Net cash accruals to total debt (NCA/TD) stood at 0.24 times in FY2017 as against 0.22 times in FY2016 on account of increase in net cash accruals in FY2017.

- **Working capital intensive operations**

The operations are working capital intensive marked by Gross Current Assets (GCA) days of 250 for FY2017 and 185 days in FY2016. This is on account of high debtor days of 221 in FY2017 and 170 days in FY2016.

Analytical Approach

SMERA has considered the standalone business and financial risk profiles of Asha Construction to arrive at the rating.

Outlook: Stable

SMERA believes that the outlook on AC's rated facilities will remain stable over the medium term on account of its promoter's extensive experience in the industry. The outlook may be revised to 'Positive' if the firm registers higher than expected growth in revenue and profitability while improving its capital structure. Conversely, the outlook may be revised to 'Negative' in case the firm registers significant decline in cash accruals or stretched working capital cycle resulting in further deterioration of its financial risk profile.

About the Rated Entity - Key Financials

In FY2016-17, the firm reported net profit of Rs.0.93 crore on operating income of Rs.21.83 crore as against net profit of Rs.0.80 crore on operating income of Rs.19.45 crore in the previous year. The tangible net worth stood at Rs. 6.32 crore as on 31 March, 2017 as against Rs. 5.98 crore in the previous year.

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

None

Any other information

None

Applicable Criteria

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

Note on complexity levels of the rated instrument

<https://www.smerra.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	4.00	SMERA BB- / Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	3.00	SMERA A4

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