

Press Release

Asha Construction

December 03, 2018

Rating Reaffirmed



Total Bank Facilities Rated*	Rs. 12.00 crore (Enhanced from Rs. 7.00 crore)
Long Term Rating	ACUITE BB- / Outlook: Stable (Reaffirmed)
Short Term Rating	ACUITE A4 (Reaffirmed)

* Refer Annexure for details

Rating Rationale

Acuité has reaffirmed long term rating of '**ACUITE BB- ' (read as ACUITE double B minus)** and the short term rating of '**ACUITE A4' (read as ACUITE A four)** to Rs. 12.00 crore bank facilities of Asha Construction (AC). The outlook is '**Stable**'.

AC, established in 2008, is a Raipur based firm promoted by Mr. Ajay Jain and Mr. Abhay Jain. The firm is engaged in mass excavation, earthen embankment, mining, concrete lining, construction of ash ponds, bridges and road works. It mainly undertakes work in Jharkhand and Chhattisgarh for government as well as private entities.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of AC to arrive at the rating.

Key Rating Drivers

Strengths

Experienced management

The promoters of the firm possess around two decades of experience in mining and civil construction industry.

Reputed clientele

The firm caters to a reputed client base including BGR Energy Systems Limited, Central Coalfield Limited, Chhattisgarh State Power Generation Company Limited, Abhi Engineering Corporation Private Limited, NTPC Limited and NTPC-SAIL Power Company Limited to name a few.

Weaknesses

Modest scale of operations and susceptibility of profit margins to changes in the revenue mix

AC is operating at modest scale as the revenue for FY2018 stood at Rs.37.89 crore as against Rs.21.83 crore for FY2017. However, the firm has reported revenue of ~Rs.18.00 crore for the period April – October, 2018. The operating margins (EBIDTA) stood at 22.75 percent in FY2018 as against 32.53 percent in FY2017. Acuité believes that AC's margins will continue to remain uneven due to change in the revenue mix and tender based nature of business.

Below average financial risk profile

The financial risk profile of AC is moderate marked by tangible net worth of Rs.7.80 crore as on 31 March, 2018 as against Rs.5.06 crore as on 31 March, 2017. The gearing stood high at 3.17 times as on 31 March, 2018 as against 4.16 times as on 31 March, 2017. The total debt of Rs.24.73 crore includes interest bearing unsecured loan of Rs.0.57 crore, term loan of Rs.21.78 crore and working capital funding of Rs.2.38 crore. The interest coverage ratio stood at 3.85 times in FY2018 as against 2.94 times in FY2017.

Working capital intensive nature of operations and stretched liquidity

The operations of the firm are working capital intensive in nature marked by Gross Current Assets (GCA) days of 147 in FY2018 and 250 days in FY2017. The GCA days are high on account of stretched creditor days of 314 and debtor days of 133 in FY2018. Further, the average cash credit utilisation for last six months ending 31 October, 2018 is ~80 percent.

Outlook:

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

About the Rated Entity - Key Financials

	Unit	FY18 (Actual)	FY17 (Actual)	FY16 (Actual)
Operating Income	Rs. Cr.	37.89	21.83	19.45
EBITDA	Rs. Cr.	8.62	7.10	5.18
PAT	Rs. Cr.	1.53	0.93	0.80
EBITDA Margin	(%)	22.75	32.53	26.63
PAT Margin	(%)	4.03	4.25	4.11
ROCE	(%)	12.88	15.12	17.63
Total Debt/Tangible Net Worth	Times	3.17	4.16	3.26
PBDIT/Interest	Times	3.85	2.94	2.24
Total Debt/PBDIT	Times	2.86	2.89	2.77
Gross Current Assets (Days)	Days	147	250	185

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

None

Any other information

Not Applicable

Applicable Criteria

- Default Recognition - <https://www.acuite.in/criteria-default.htm>
- Financial Ratios And Adjustments - <https://www.acuite.in/view-rating-criteria-20.htm>
- Infrastructure Entities- <https://www.acuite.in/view-rating-criteria-4.htm>

Note on complexity levels of the rated instrument

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

Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount (Rs. Cr.)	Ratings/Outlook
11-Dec-2017	Cash Credit	Long Term	4.00	ACUITE BB-/Stable (Assigned)
	Bank Guarantee	Short Term	3.00	ACUITE A4 (Assigned)

*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	ACUITE BB- / Stable (Reaffirmed)
Bank guarantee	Not Applicable	Not Applicable	Not Applicable	8.00	ACUITE A4 (Reaffirmed)

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About Acuité Ratings & Research:

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