

## Press Release

### Asha Construction

July 22, 2021



### Rating Downgraded

<b>Total Bank Facilities Rated</b>	Rs. 12.00 crore
<b>Long Term Rating</b>	ACUITE C (Downgraded)
<b>Short Term Rating</b>	ACUITE A4 (Reaffirmed)

\* Refer Annexure for details

### Rating Rationale

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

The downgrade is on account of delay in servicing of unrated debt obligations.

### About the firm

M/s ASHA CONSTRUCTION, established in 2008, is a Raipur based firm promoted by Mr. Ajay Jain and Mr. Abhay Jain. The firm is engaged in mining and civil construction works. It mainly undertakes work in Jharkhand and Chhattisgarh for government as well as private entities. Further the organisation has also worked earlier with private reputed clients like M/s Narsingh Infrastructure, BGR Energy System Limited, NSPCL, NTPC etc for Civil contract work.

### Analytical Approach

Acuité has considered the standalone business and financial risk profiles of M/s ASHA CONSTRUCTION to arrive at the rating.

### Key Rating Drivers

#### Strengths

- Experienced management and established relationship with customers**

Established in 2008, the firm has been operational for more than ten years. The key promoter, Mr Ajay Jain has experience through his erstwhile proprietorship business. The long standing experience of the promoters and long track record of operations has helped them to establish comfortable relationships with key suppliers and reputed customers (e.g.- Adani Group, Coal India, RK Transports) across the nation. Acuité derives comfort from the long experience of the management and believes this will benefit the firm going forward, resulting in steady growth in the scale of operations.

- Steady Business Risk Profile**

The firm has achieved revenues of Rs.67.95 Cr in FY2021 (prov.) as compared to revenues of Rs. 47.35 Cr in FY2020. Further, the increase in revenue is backed by high valuing contracts from clients like Adani Group, Central Coal Fields to name a few. Further the company has an unexecuted healthy order book position to the tune of about Rs.569.41 Cr as on 31st May, 2021 which will be executed in the next 48-60 months, thus providing moderate revenue visibility over the medium term.

## Weaknesses

- **Below average financial risk profile**

The firm's below average financial risk profile is marked by weak albeit improving net worth, high gearing and healthy debt protection metrics. The net worth of the firm has improved to Rs.12.50 crore as on 31<sup>st</sup> March 2021 (provisional) as against Rs.9.18 crore as on 31<sup>st</sup> March 2020 mainly on account of retention of profits. The gearing stands high at 6.04 times as on 31<sup>st</sup> March 2021 (provisional), as against 5.60 times as on 31<sup>st</sup> March 2020. The total debt of Rs.75.48 crore comprises of long term debt of Rs.57.95 crore, short term debt of Rs.3.36 crore, unsecured loans from body corporates, friends and relatives of Rs.2.17 crore and current maturing obligations of Rs. 12.00 crore as on 31<sup>st</sup> March 2021 (provisional). The TOL/TNW is high at 6.57 times as on 31<sup>st</sup> March 2021 (provisional), as against 6.70 times as on March 31, 2020. The healthy debt protection metrics of the firm is marked by Interest Coverage Ratio at 2.78 times and Debt Service coverage ratio at 1.09 times as on 31<sup>st</sup> March, 2021 (prov). Acuite believes that going forward the financial risk profile of the firm will improve backed by steady accruals and no major debt funded capex plans.

- **Working capital intensive nature of operations**

The working capital intensive nature of operations of the firm is marked by high Gross Current Asset Days of 190 days as on March 31, 2021 (provisional) as against 171 days as on March 31, 2020. The high GCA days are mainly on account of high debtors days of 162 days as on March 31, 2021 (prov) as against 156 days as on March 31, 2020. However, the inventory days stood comfortable at 22 days as on March 31, 2021 (provisional) as against 10 days as on March 31, 2020. Going forward, Acuite believes that the working capital management of the company will remain at similar levels as evident from the high debtor level and low inventory levels over the medium term.

## Rating Sensitivity

Not Applicable

## Material Covenants

None

## Liquidity position: Stretched

The firm's liquidity is stretched marked by cash accruals of Rs.13.15 crore as compared to high maturing debt obligation of Rs.11.41 crore over the same period. The fund-based limit remains fully utilised over the twelve months ended June, 2021. Further, the working capital intensive nature of the operation of the firm is marked by high Gross Current Asset days of 190 days as on March 31, 2021 (provisional) as against 171 days as on March 31, 2020. However, the current ratio of the firm stands comfortable at 1.75 times as on March 31, 2021 (prov). The firm has cash and bank balances of Rs.0.10 crore as on March 31, 2021 (prov). Acuite believes that going forward the liquidity is likely to remain at same level due to high debt obligations.

**Outlook:** Not Applicable

## About the Rated Entity Financials

Particulars	Unit	FY21 (Provisional)	FY20 (Actual)
Operating Income	Rs. Cr.	67.95	47.35
PAT	Rs. Cr.	2.50	2.29
PAT Margin	(%)	3.68	4.84
Total Debt/Tangible Net Worth	Times	6.04	5.60
PBDIT/Interest	Times	2.78	3.84

## Applicable Criteria

- Default Recognition - <https://www.acuite.in/view-rating-criteria-52.htm>
- Trading Entities - <https://www.acuite.in/view-rating-criteria-61.htm>
- Financial Ratios and Adjustments - <https://www.acuite.in/view-rating-criteria-53.htm>

#### Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

#### Status of non-cooperation with previous CRA

Not Applicable

**Any other information:** Acuite is yet to receive the latest No Default Statement (NDS) from the rated entity, despite repeated requests and follow ups.

#### Rating History (Upto last three years)

Date	Name of Instrument / Facilities	Term	Amount	Ratings/Outlook
			(Rs. Crore)	
06-02-2020	Cash Credit	Long term	4.00	ACUITE BB-/Stable (Reaffirmed)
	Bank Guarantee	Short term	8.00	ACUITE A4(Reaffirmed)
03-12-2018	Cash Credit	Long term	4.00	ACUITE BB-/Stable (Reaffirmed)
	Bank Guarantee	Short term	8.00	ACUITE A4 (Reaffirmed)
11-12-2017	Cash Credit	Long term	4.00	ACUITE BB-/Stable (Assigned)
	Bank Guarantee	Short term	8.00	ACUITE A4 (Assigned)

#### \*Annexure–Details of instruments rated

##### Instrument Information

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 C (Downgraded)
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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