

Press Release

AMMA CONSTRUCTION INDIA PRIVATE LIMITED

January 23, 2018

Rating Assigned



Total Bank Facilities Rated*	Rs. 10.00 Cr.
Long Term Rating	SMERA B+ / Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has assigned long-term rating of '**SMERA B+**' (read as **SMERA B plus**) and short term rating of '**SMERA A4**' (read as **SMERA A four**) on the Rs. 10.00 crore bank facilities of AMMA CONSTRUCTION INDIA PRIVATE LIMITED. The outlook is '**Stable**'.

The Karnataka-based ACIPL, was incorporated in 2010 is a Class-1 contractor for civil construction projects. The firm undertakes construction of roads, bridges and related projects for PWD and various Karnataka government departments .

Key Rating Drivers

Strengths

- **Experience management**

ACIPL was incorporated in 2010 as a private Limited company by Mr. Mohammad Imran Yunus Namakwala, Mr. Reddy Ramakrishna, Mr. Kacharakanahalli Shankar Srinivasa Reddy and Mr. Vinod Aerukala. Hence the directors of the company has decade of experience in the construction industry.

- **Long Association with government agencies**

ACIPL has executed projects for PWD and various other Karnataka government departments. All these departments, being a government entity, counter-party default risk remains minimal. Although, risk associated with delayed payment exist but due to good liasoning and director's extensive experience, ACIPL managed to collect payments within 50-60 days from work certification. With the director's has extensive industry experience, timely execution of projects, the company has been able to establish long-standing relationship with its client.

- **Healthy financial risk profile**

ACIPL has healthy financial risk profile marked by networth of Rs.11.41 crore as on 31 March 2017 as compared to Rs.10.98 crore as on 31 March 2016. The company has low gearing of 0.71 times as on 31st March 2017 as compared to 0.60 times as on 31st March 2016. The company has healthy coverage indicators with interest coverage ratio (ICR) of 2.65 times in FY2017 and 4.94 times in FY2016. Operating margins of the firm are healthy at 8.55 percent in FY2016-17 as compared to 4.04 percent in FY2015-16. The PAT margin is also healthy at 2.18 percent in FY2016-17 and 2.26 percent in FY2015-16.

Weaknesses

- **Small scale of operations due to tender based nature of business**

The operations of the ACIPL are considered to be at small level despite the firm being in the construction business from last 7 years. The company has achieved operating income of Rs. 19.95 crore in FY 2016-17. Being a civil contractor, the revenue of ACIPL depends on the number of successful bids and the tenders being released in the financial year.

- **Competitive and fragmented industry**

The company is engaged as civil contractor. The particular sector is marked by the presence of several mid to big size players. The company faces intense competition from the other players in the sectors. Risk become more pronounced as tendering is based on minimum amount of bidding of contracts. However, this risk is mitigated to an extent as management operating in this environment for last 07 years.

Analytical Approach

SMERA has considered standalone financial and business risk profile of the company to arrive at the rating

Outlook: Stable

SMERA believes ACIPL will maintain a stable business risk profile in the medium term on account of its experienced management. The outlook may be revised to 'Positive' in case the company 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 company registers lower-than-expected growth in revenues and profitability, or in case of deterioration in the company's financial risk profile or higher than expected working capital requirements.

About the Rated Entity - Key Financials

	Unit	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	19.95	87.16	29.78
EBITDA	Rs. Cr.	1.71	3.52	3.53
PAT	Rs. Cr.	0.44	1.97	2.43
EBITDA Margin	(%)	8.55	4.04	11.86
PAT Margin	(%)	2.18	2.26	8.17
ROCE	(%)	7.14	20.23	50.89
Total Debt/Tangible Net Worth	Times	0.71	0.60	0.47
PBDIT/Interest	Times	2.65	4.94	7.92
Total Debt/PBDIT	Times	4.55	1.81	1.16
Gross Current Assets (Days)	Days	371	119	163

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

CRISIL Ratings in its press release dated November 14, 2017 inter alia has stated the following: Despite repeated attempts to engage with the management, CRISIL failed to receive any information on either the financial performance or strategic intent of Amma Construction India Private Limited. This restricts CRISIL's ability to take a forward Amma Construction India Private Limited is consistent with 'Scenario 1' outlined in the 'Framework for Assessing Consistency of Information with CRISIL BB' rating category or lower. Based on the last available information, CRISIL has reaffirmed the rating at 'CRISIL BB/Stable/CRISIL A4+.

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	3.5	SMERA B+ /Stable
Bank guarantee/Letter of Guarantee	Not Applicable	Not Applicable	Not Applicable	6.5	SMERA A4

Contacts

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ABOUT SMERA

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