

Press Release

Amrut Construction (AC)

February 28, 2018



Rating Assigned

Total Bank Facilities Rated*	Rs. 6.00 Cr.
Long Term Rating	SMERA BB-/ Outlook: Stable
Short Term Rating	SMERA A4

* Refer Annexure for details

Rating Rationale

SMERA has assigned a long term rating of '**SMERA BB-' (read as SMERA double B minus)** and a short term rating of '**SMERA A4' (read as SMERA A four)** to the Rs. 6.00 crore bank facilities of Amrut Construction (AC). The outlook is '**Stable**'.

Amrut Construction (AC) was established in 2000 as a proprietorship firm by Mr. Raj Kumar Rochlani. Subsequently, the constitution changed into partnership in 2017 with the induction of partners, Mr. Raj Kumar Rochlani, Mr. Ritesh Rochlani, Mr. Rameshwar Rochlani, and Ms. Sangeeta Rochlani. The firm is into executing of civil projects of roads, buildings in the districts of Nagpur, Chandrapur, Gadchiroli, Bhandara, Gondhia in Maharashtra. The firm is based out of Nagpur, Maharashtra.

Key Rating Drivers

Strengths

- **Experienced management and established track record of operations**

The promoter, Mr. Raj Kumar Rochlani has experience of almost two decades in the civil construction industry. AC has long track record of operations since 2000 which has helped establish and maintain long standing relations with customers and suppliers.

- **Comfortable financial risk profile**

The financial risk profile is comfortable marked by modest networth, comfortable gearing and healthy debt protection metrics. The networth levels stood at Rs. 8.28 crore as on 31 March, 2017 as against Rs. 7.19 crore in the previous year. The gearing stood at 0.67 times as on 31 March, 2017 as against 0.54 times in the previous year. The interest coverage ratio (ICR) stood at 4.98 times for FY2017 as against 5.60 times in FY2016. The net cash accruals to total debt (NCA/TD) stood at 0.41 times in FY2017 as against 0.37 times in the previous year. Going forward, SMERA expects the company to maintain its financial risk profile and improve its networth in the absence of major debt funded capex plan.

- **Efficient working capital management**

The firm has comfortable working capital management with gross current asset (GCA) days of 58 for FY2017 as against 79 in the previous year. The improvement in the GCA days has been on account of improvement in the receivable cycle which improved to 34 days for FY2017 as against 53 in the previous year. The inventory stood low at 7 days in FY2017 as against 4 in FY2016.

Weaknesses

• Moderate scale of operations

The scale of operations is modest marked by revenue of around Rs.23.38 crore in FY2017 as against Rs.17.26 crore for FY2016. Further, the firm reported revenue of around Rs. 25.00 crore for the period April, 2017 to December, 2017 (provisional). The current order book of the firm stands at Rs.23.7 crore to be executed by June 2018 which lends moderate revenue visibility over the medium term.

• Profitability susceptible to fluctuations in raw material prices and tender based operations

AC reported operating margin of 12.24 per cent in FY2016-17 and 10.28 per cent in FY2015-16. The operating margins are susceptible to volatility in raw material prices. The raw material procured includes cold aggregates, cement, bitumen the prices of which are highly volatile in nature. Further, the firm is majorly dependent on government tenders for its orders. The tender-based nature of operations makes it vulnerable to order cyclicity.

Analytical Approach

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

Outlook: Stable

SMERA believes that the outlook on BIPL's rated facilities will remain stable over the medium term on account of its experienced promoters and healthy order book position. The outlook may be revised to 'Positive' if the company registers higher than expected growth in liquidity position and capital structure. Conversely, the outlook may be revised to 'Negative' in case the 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	FY17 (Actual)	FY16 (Actual)	FY15 (Actual)
Operating Income	Rs. Cr.	23.38	17.26	36.05
EBITDA	Rs. Cr.	2.86	1.77	2.80
PAT	Rs. Cr.	1.50	0.93	2.01
EBITDA Margin	(%)	12.24	10.28	7.77
PAT Margin	(%)	6.43	5.37	5.57
ROCE	(%)	16.68	12.14	50.72
Total Debt/Tangible Net Worth	Times	0.67	0.54	0.49
PBDIT/Interest	Times	4.98	5.60	7.41
Total Debt/PBDIT	Times	1.94	2.20	1.11
Gross Current Assets (Days)	Days	58	79	59

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>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Infrastructure Entities - <https://www.smera.in/criteria-infra.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
Secured overdraft	Not Applicable	Not Applicable	Not Applicable	1.25	SMERA BB-/ Stable
Bank Guarantee	Not Applicable	Not Applicable	Not Applicable	4.65	SMERA A4
Proposed	Not Applicable	Not Applicable	Not Applicable	0.10	SMERA A4

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ABOUT SMERA

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