



Press Release
ASHOK CONSTRUCTION
July 07, 2025
Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	22.00	ACUITE BB- Stable Assigned	-
Bank Loan Ratings	24.00	ACUITE BB- Stable Reaffirmed	-
Bank Loan Ratings	4.00	-	ACUITE A4+ Reaffirmed
Total Outstanding Quantum (Rs. Cr)	50.00	-	-
Total Withdrawn Quantum (Rs. Cr)	0.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of 'ACUITE BB-' (read as ACUITE double B minus) and its short-term rating of 'ACUITE A4+' (read as ACUITE A four plus) on the Rs.28.00 Cr. bank facilities of Ashok Construction (AC). The outlook is 'Stable'.

Acuite has also assigned the long-term rating of 'ACUITE BB-' (read as ACUITE Double B Minus) on the Rs.22.00 Cr. bank facilities of Ashok Construction (AC). The outlook is 'Stable'.

Rationale for rating reaffirmation

The rating reaffirmation reflects the partner's prior industry experience in PSK engineering and construction co, and well-established client base including various state government departments. The rating also takes into account the improvement in the firm's revenue supported by a healthy order book position, which further reflects revenue visibility over the medium term. Furthermore, firm's financial risk profile stood moderate, marked by high gearing (debt-equity), improving net worth and moderate debt protection metrics along with adequate liquidity position. However, the rating is constrained on account of working capital-intensive and tender based nature of operations along with the risk of capital withdrawal given its constitution as a partnership firm.

About the Company

Ashok Constructions (AC) is a civil construction partnership firm, engaged in construction of buildings, roads. The firm primarily undertakes only central government funded projects from slum clearance board, Public works department and Rural works department. Mr. Periyasami, the founder of PSK engineering construction & co. has established Saranya spinning Mills Private Limited during 1995. Mr. Ashok Kumar the elder son of Mr. Periyasami, has been actively participating in the operations of PSK engineering and Saranya Spinning Mills Private Limited since 2000. Later, after the split in business in 2017, Mr. Ashok Kumar has received full holding of Saranya Spinning Mills Private Limited, 50 percent holding in PSK engineering and his younger brother has received 50 percent holding in PSK engineering. During 2018, Mr. Ashok established new firm in the name of Ashok Constructions. Currently the firm is managed by Mr. Ashok Kumar and Ms. Nisha with a profit sharing ratio of 50:50.

Unsupported Rating
Not Applicable

Analytical Approach

Acuite has considered standalone financial and business risk profile of the Ashok Construction (AC).

Key Rating Drivers

Strengths

Extensive experience of the partners:

Mr. Periyasami, the founder of PSK engineering construction & co. established Saranya spinning Mills Private Limited during 1995. Mr. Ashok Kumar, the elder son of Mr. Periyasami, has been actively participating in the operations of PSK engineering and Saranya Spinning Mills Private Limited since 2000. Later, after the split in business in 2017, Mr. Ashok Kumar received full holding of Saranya Spinning Mills Private Limited, 50 percent holding in PSK engineering and his younger brother received 50 percent holding in PSK engineering. During 2017 Mr. Ashok kumar established new company in the name of Ashok Constructions. Acuite believes that the partners prior industry experience from PSK engineering and construction co. will help in improving the business risk profile of Ashok constructions.

Improvement in revenue supported by healthy order book position:

The operating revenue of the firm increased to Rs.126.75 Cr. as on March 31, 2025 (Prov) as against Rs.108.52 Cr. in the previous year. This growth was driven by a higher volume of orders and their timely execution. Furthermore, the firm has a healthy order book position with unexecuted orders worth ~Rs.335.76 Cr. which are to be executed in the next one-two years, thereby providing moderate revenue visibility over the medium term. Additionally, the operating profit margin increased to 16.65 percent in FY2025 (Prov), compared to 8.61 percent in FY2024. This was due to the company handling more projects work itself, which reduced its dependence on sub-contractors and helped to manage costs more effectively. The Profit After Tax (PAT) margin improved and stood at 8.15% in FY2025 (Prov), compared to 2.63% in the previous year.

Weaknesses

Moderate financial risk profile

The financial risk profile of the firm improved yet remained moderate marked by high gearing, moderate networth and debt protection metrics. The tangible net worth of the firm stood at Rs. 17.71 Cr as on March 31st, 2025 (Prov) as against Rs.7.38 Cr as on March 31st, 2024. The gearing level improved and stood at 2.86 times as on 31 March 2025 (Prov) as against 8.37 times as on 31 March 2024. The total debt of the firm stood at Rs. 50.59 Cr. as on March 31, 2025 (Prov) as against Rs. 61.79 Cr as on March 31, 2024. Total outside liabilities to tangible net worth (TOL/ TNW) stood at 4.67 times as on 31 March 2025 (Prov) as against 9.95 times as on 31 March 2024. The debt protection metrics improved marginally yet remain moderate where interest coverage ratio (ICR) stood at 3.89 times in FY2025 (Prov) as against 2.59 times in FY2024. Debt service coverage ratio (DSCR) stood at 2.06 times in FY2025 (Prov) as against 1.74 times in FY2024. Net Cash accruals / total debt (NCA/TD) ratio stood at 0.25 times in FY2025 (Prov) as against 0.07 times in FY2024.

Acuite believes that going forward the financial risk profile is expected to improve on account of steady accruals generation and in absence any further major debt funded capex over the medium term.

Intensive nature of working capital operations:

The firm's working capital management is intensive in nature marked by Gross Current Assets (GCA) of 242 days in FY2025 (Prov) as compared to 227 days in FY2024. The high GCA days is on account of high debtor days and high other current assets. The inventory days stood at 21 days in FY2025 (Prov.) as compared to 30 days in FY2024. The debtor days stood at 43 days in FY2025 (Prov) as against 44 days in FY2024. Further, the creditor days stood at 66 days in FY2025 (Prov) as compared to 15 days in FY2024. The average utilization of working capital limits remained high with average utilisation of fund-based limits at ~93% over the last twelve months ending April 2025 and non-fund based limit utilisation at ~65.25% during the same period.

Acuite believes that working capital management of the firm will improve over the medium term.

Inherent risk of tender based operations:

The revenue and profitability depends entirely on the ability to successfully bid for the tenders. Entities in this segment face intense competition, thus requiring them to bid aggressively to procure contracts; this restricts the operating margin to a moderate level. Also, given the cyclicity inherent in the construction industry, the ability to maintain profitability margin through operating efficiency becomes critical. Acuite believes that the firm's business risk and financial risk profile can be adversely impacted on account of presence of stiff competition and has inherent risk of susceptibility to tender based operations.

Inherent risk of capital withdrawal in a partnership firm

The firm is susceptible to the inherent risk of capital withdrawal given its constitution as a partnership. Any significant withdrawal from the partner's capital will have a negative bearing on the financial risk profile of the firm.

Rating Sensitivities

- Sustained growth in scale of operations while maintaining profitability margins.
- Sustained order-book growth.
- Any elongation of the working capital cycle leading to deterioration in financial risk profile.

Liquidity Position

Adequate

The firm's liquidity position is adequate marked by generation of sufficient cash accruals of Rs.12.56 Cr. in FY2025 (Prov) against repayment obligation of Rs.3.07 Cr. in the same tenure. In addition, it is expected to generate cash accrual in the range of Rs. 15.73 – Rs. 18.98 Cr. as against maturing repayment obligations in the range of Rs. 2.46 Cr- Rs. 2.62 Cr. over the medium term. The cash and bank balances of the firm stood at Rs. 0.01 Cr. as on March 31, 2025 (Prov). The current ratio stood at 1.19 times as on March 31, 2025 (Prov). The firm's reliance on working capital limits remained high with average utilisation of fund-based limits at ~ 93% over the last six months ending April 2025 and non-fund-based limit utilisation at ~65.25 % during the same period. Acuité believes that going forward the firm will maintain adequate liquidity position owing to steady accruals generation.

Outlook: Stable

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 25 (Provisional)	FY 24 (Actual)
Operating Income	Rs. Cr.	126.75	108.52
PAT	Rs. Cr.	10.33	2.86
PAT Margin	(%)	8.15	2.63
Total Debt/Tangible Net Worth	Times	2.86	8.37
PBDIT/Interest	Times	3.89	2.59

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

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Infrastructure Sector: <https://www.acuite.in/view-rating-criteria-51.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuité has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuité's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
08 Apr 2024	Bank Guarantee (BLR)	Short Term	4.00	ACUITE A4+ (Reaffirmed)
	Cash Credit	Long Term	18.60	ACUITE BB- Stable (Reaffirmed)
	Term Loan	Long Term	1.57	ACUITE BB- Stable (Reaffirmed)
	Proposed Long Term Bank Facility	Long Term	2.82	ACUITE BB- Stable (Reaffirmed)
	Term Loan	Long Term	1.01	ACUITE BB- Stable (Reaffirmed)
10 Jan 2023	Bank Guarantee (BLR)	Short Term	5.00	ACUITE A4+ (Assigned)
	Cash Credit	Long Term	20.00	ACUITE BB- Stable (Assigned)
	Term Loan	Long Term	2.07	ACUITE BB- Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	0.93	ACUITE BB- Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Quantum (Rs. Cr.)	Complexity Level	Rating
Indian Bank	Not avl. / Not appl.	Bank Guarantee (BLR)	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	4.00	Simple	ACUITE A4+ Reaffirmed
Indian Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	18.60	Simple	ACUITE BB- Stable Reaffirmed
Indian Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	3.00	Simple	ACUITE BB- Stable Reaffirmed
Indian Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	22.00	Simple	ACUITE BB- Stable Assigned
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	0.65	Simple	ACUITE BB- Stable Reaffirmed
Indian Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	07 Oct 2030	0.83	Simple	ACUITE BB- Stable Reaffirmed
Indian Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	15 Nov 2026	0.89	Simple	ACUITE BB- Stable Reaffirmed
Indian Bank	Not avl. / Not appl.	Term Loan	Not avl. / Not appl.	Not avl. / Not appl.	15 Sep 2025	0.03	Simple	ACUITE BB- Stable Reaffirmed

Contacts

Mohit Jain Chief Analytical Officer-Rating Operations	Contact details exclusively for investors and lenders
Sahil Sawant Associate Analyst-Rating Operations	Mob: +91 8591310146 Email ID: analyticalsupport@acuite.in

About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

Disclaimer: An Acuité rating does not constitute an audit of the rated entity and should not be treated as a recommendation or opinion that is intended to substitute for a financial adviser's or investor's independent assessment of whether to buy, sell or hold any security. Ratings assigned by Acuité are based on the data and information provided by the issuer and obtained from other reliable sources. Although reasonable care has been taken to ensure that the data and information is true, Acuité, in particular, makes no representation or warranty, expressed or implied with respect to the adequacy, accuracy or completeness of the information relied upon. Acuité is not responsible for any errors or omissions and especially states that it has no financial liability whatsoever for any direct, indirect or consequential loss of any kind, arising from the use of its ratings. Ratings assigned by Acuité are subject to a process of surveillance which may lead to a revision in ratings as and when the circumstances so warrant. Please visit our website (www.acuite.in) for the latest information on any instrument rated by Acuité. Please visit <https://www.acuite.in/faqs.htm> to refer FAQs on Credit Rating.

Note: None of the Directors on the Board of Acuité Ratings & Research Limited are members of any rating committee and therefore do not participate in discussions regarding the rating of any entity.