

## A.S.Betgeri

March 04, 2022

### Ratings

Facilities/Instruments	Amount (Rs. crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	3.00	CARE B+; Stable (Single B Plus; Outlook: Stable)	Reaffirmed
Short Term Bank Facilities	4.48	CARE A4 (A Four)	Reaffirmed
<b>Total Bank Facilities</b>	<b>7.48</b> <b>(Rs. Seven Crore and Forty-Eight Lakhs Only)</b>		

*Details of instruments/facilities in Annexure-1*

### Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of A.S. Betgeri (ASB) continues to be tempered by small scale of operations, working capital intensive nature of operations, moderate profit margins, stretched liquidity, moderate order book position along with high customer and geographical concentration risk, highly fragmented industry with intense competition from other players due to tender driven nature of operations and constitution of the entity as proprietor firm. The rating, however, derives its strengths from established track record and experienced proprietor and comfortable capital structure & debt coverage indicators.

### Rating Sensitivities

#### Positive factors:

- Increase in the scale of operations with total operating income exceeding Rs.25 crore on a sustained basis with similar improvement in Gross Cash Accruals
- Improvement in the PBILDT margin exceeding 10% on a sustained basis
- Expanding its geographic reach along with enhancing its customer base enhancing its revenue visibility

#### Negative factors:

- Deterioration in the capital structure with overall gearing exceeding 2x on a sustained basis
- Deterioration in the debt coverage indicators with interest coverage ratio reaching below 2x on a sustained basis
- Any delay/time or cost overrun in the on-going projects resulting in sizable decline total operating income in the years going forward

### Detailed description of the key rating drivers

#### Key Rating Weaknesses

#### **Small scale of operations with moderate profit margins**

The overall scale of operations of the entity remained small marked by Total Operating Income (TOI) stood in the range of Rs.9.51 crore to Rs.19.80 crore during FY18-FY21. During FY21, TOI has improved by 32% on account of higher orders execution during the year, but remained small at Rs. 19.80 crores as against Rs. 14.96 crores during FY20. Further, during 10MFY22(Provisional), ASB has booked TOI of Rs.16.97 crore.

During FY21, PBILDT Margin has improved and remained at 6.78% as against 6.31% during FY20. The improvement was on account of decline in material cost on proportionate basis. Further, on back increase in operating profitability with proportionately lower interest and depreciation cost, PAT Margin also improved and remained at 5.03% during FY21 as against 4.33% during FY20. However, in absolute terms profitability remained low marked by PBILDT and PAT of Rs.1.34 crore and Rs.1 crore respectively. Resultantly, gross cash accruals also remained low at Rs.1.11 crore in FY21.

#### **Working capital intensive nature of operations**

The overall operations of the entity remained working capital intensive due to blockage of funds in debtors and inventory. Working capital cycle has improved from 93 days during FY20 to 74 days during FY21, the improvement was on account of decline in inventory as well as collection period. Inventory period has reduced to 74 days during FY21 as against 99 days during FY20 which was due to moving of WIP stock of previous year. Further, the average utilization of the working capital limit stood at around 99% for the last 12 months ending January 2022.

#### **Moderate order book position along with high customer and geographical concentration risk**

The ASB has an outstanding order book of Rs. 124.72 crore (this translate to 6.30x of FY21 TOI) as on February 14, 2022 and same likely to complete by March 2024 thereby providing medium term revenue visibility to the entity. Further, the firm receives majority of the work orders from Karnataka Government resulting in high customer and geographic concentration risk. Hence, any changes in the budgetary allocations will affect the revenue visibility to the entity.

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

### Highly fragmented industry with intense competition from other players due to tender based nature of operations

The firm receives 100% work orders from government organizations. All these are tender-based and the revenues are dependent on the firm's ability to bid successfully for these tenders. Profitability margins come under pressure because of competitive nature of the industry. However, the proprietor's long industry experience around two decades mitigates this risk to some extent. Nevertheless, there are numerous fragmented & unorganized players operating in the segment which makes the civil construction space highly competitive.

### Constitution of the entity as proprietorship firm with inherent risk of withdrawal of capital

Constitution as a proprietorship has the inherent risk and possibility of withdrawal of capital at a time of personal contingency which can adversely affect the capital structure of the firm. Furthermore, proprietorships have restricted access to external borrowings as credit worthiness of the proprietor would be a key factor affecting the credit decision of lenders. The proprietor has withdrawn the capital of around Rs. 0.56 crores in FY21 and Rs. 0.24 crores during FY20.

### Key Rating Strengths

#### Established track record and experienced proprietor

ASB was established in the year 1995, promoted by Mr. Ashfaq Ahmed Betgeri. He is a qualified MBA and has more than two decades of experience in the civil construction industry. Mr. Ashfaq Ahmed Betgeri is actively involved in the day to day operations of the firm. Over the years of existence in the industry proprietor has established strong marketing connects leading to continuous orders receipts from its customers.

#### Comfortable capital structure and debt coverage indicators

Capital structure continued to remained comfortable marked by overall gearing ratio of 0.82x as on March 31, 2021 as against 0.85x as on March 31, 2020 on the back of improved tangible net worth level due to accretion of profits to reserves.

Debt coverage indicators remained moderate marked by improved Interest coverage ratio of 5.77x during FY21 as against 4.53x during FY20. The improvement was on account of improved PBILDT level in absolute terms. Further, TDGCA ratio has improved and remained at 3.70 years as on March 31, 2021 as against 5.26 years as on March 31, 2020 on back of increase in cash accruals.

### Liquidity Analysis

#### Stretched liquidity

Liquidity position of the entity remained stretched marked by tightly matched cash accruals against debt repayment obligations of vehicle loans. The free cash & liquid investments remained at Rs. 1.09 crore as on March 31, 2021 (vis-à-vis Rs.0.15 crore as on March 31, 2020). Its average utilization of the working capital limit remained higher at around 99% during past twelve months ended January, 2022. Further, net cash flow from operations have turned positive and remained at Rs. 1.78 crores as a result of higher realization of funds from receivables during FY21 as against negative cash flow during FY20.

**Analytical approach:** Standalone

#### Applicable criteria:

[Rating Outlook and credit watch](#)

[CARE's Policy on Default Recognition](#)

[Financial ratios-Non-Financial Sector](#)

[Criteria for Short Term Instruments](#)

[Liquidity Analysis of Non-Financial Sector Entities](#)

[Rating methodology-Construction Sector](#)

### About the Firm

A.S Betgeri (ASB) was established in the year 1995 promoted by Mr. Ashfaq Ahmed Sayedgouse Betgeri. The firm is engaged in construction of buildings for Karnataka state government. The firm purchases the raw material like cement, steel, sand and concrete etc., from the local traders. The firm receives the work orders directly from the state department of Karnataka government through tenders. ASB operates through its controlling office located at Dharwad, Karnataka.

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	10MFY22 (Prov.)
Total operating income	14.96	19.80	16.97
PBILDT	0.94	1.34	NA
PAT	0.65	1.00	NA
Overall gearing (times)	0.85	0.82	NA
Interest coverage (times)	4.53	5.77	NA

A: Audited, Prov. – Provisional; NA: Not Available

**Status of non-cooperation with previous CRA:** CRISIL has put the rating assigned to the bank facilities of ASB rating into Issuer Not Cooperating category vide press release dated August 16, 2021 on account of its inability to carry out a review in the absence of the requisite information from the company.

**Any other information:** Not Applicable

**Rating History for last three years:** Please refer Annexure-2

**Covenants of rated instrument/facility:** Please refer Annexure-3

**Complexity level of various instruments rated for this firm:** Please refer Annexure-4

**Annexure-1: Details of Instruments / Facilities**

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit		-	-	-	3.00	CARE B+; Stable
Non-fund-based - ST-Bank Guarantee		-	-	-	4.48	CARE A4

**Annexure-2: Rating History of last three years**

Sr. No.	Name of the Instrument/ Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - LT-Cash Credit	LT	3.00	CARE B+; Stable	1)CARE B+; Stable (06-Apr-21)	-	1)CARE B+; Positive (02-Mar-20)	1)CARE B+; Stable (27-Feb-19)
2	Non-fund-based - ST-Bank Guarantee	ST	4.48	CARE A4	1)CARE A4 (06-Apr-21)	-	1)CARE A4 (02-Mar-20)	1)CARE A4 (27-Feb-19)

**Annexure-3: Detailed explanation of covenants of the rated instrument / facilities –** Not applicable

**Annexure 4: Complexity level of various instruments rated for this firm**

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple
2	Non-fund-based - ST-Bank Guarantee	Simple

**Annexure 5: Bank Lender Details for this firm**

To view the lender wise details of bank facilities please [click here](#)

**Note on complexity levels of the rated instrument:** CARE Ratings Ltd. has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to [care@careedge.in](mailto:care@careedge.in) for any clarifications.

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