A.K. Builders- Delhi

June 29, 2020

Rating

Facilities	**Amount (Rs. crore)**	**Rating**[1]	**Remarks**
Long term Bank Facilities	0.90	**CARE B+; Stable; ISSUER NOT COOPERATING* (Single B Plus; Outlook: Stable) ISSUER NOT COOPERATING***	Issuer Not Cooperating Revised from CARE BB-; Stable on the basis of best available information
Short term Bank Facilities	6.50	**CARE A4; ISSUER NOT COOPERATING* (A Four) ISSUER NOT COOPERATING***	Issuer Not Cooperating Based on best available information
Total facilities	**7.40 (Rs. Seven crores and Forty Lakhs Only)**		

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from A.K. Builders- Delhi (AKB) to monitor the ratings vide e-mail communications dated June 17, 2020, May 28, 2020 , May 19, 2020 , May 14, 2020 and numerous phone calls. However, despite our repeated requests, the firm has not provided the requisite information for monitoring the ratings. In line with the extant SEBI guidelines, CARE has reviewed the rating on the basis of the best available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. The rating on AKB's bank facilities will now be denoted as **CARE B+; Stable; ISSUER NOT COOPERATING*.**

Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above ratings.

The ratings has been revised by taking into account non-availability of requisite information and no due-diligence conducted with banker due to non-cooperation by A. K. Builders- Delhi with CARE'S efforts to undertake a review of the rating outstanding. CARE views information availability risk as a key factor in its assessment of credit risk.

Detailed description of the key rating drivers

At the time of last rating on December 31, 2019 the following were the rating weaknesses and strengths:

Key Rating Weaknesses

Small and fluctuating scale of operations

The firm's scale of operations during FY19 marked by total operating income and gross cash accruals has declined and stood at Rs.25.52 crore and Rs.1.03 crore respectively during FY19 as compare to Rs. 48.34 crores and 1.31 crores respectively in FY18 is on account of lower execution of orders as low tenders received in FY19. Further, the net worth base stood moderate at Rs.3.92 crore as on March 31, 2019. The small scale limits the firm's financial flexibility in times of stress and deprives it from scale benefits. Though, the risk is partially mitigated by the fact that the scale of operation is growing continuously.

Low Profitability Margins

The profitability margins of AKB stood low for the past three financial years (FY17-FY19) as the profitability largely depends upon nature of contract executed. During FY19, the PBILDT margin remain low though improved by 270 bps and stood at 6.42% as compared to 3.72% during FY18. The improvement in operating margin was mainly on account of lower cost of sales relative to past financial year, FY18. Also, the PAT margin remained in line and stood at 3.65% during FY19 as compared to 2.57% during FY18 on account of higher interest cost. Further, the Gross Cash Accruals (GCA) decreased to Rs.1.03 crore for FY19 as compared to Rs.1.31 crore during FY18.

Weak coverage indicators

The coverage indicators marked by Interest coverage ratio and total debt to GCA ratio stood weak at 2.70x and 7.47x in FY19(A) as against 3.66x and 3.85x for the FY18(A) due to increase in unsecured loans along with decrease in the GCA

[1]*Complete definitions of the ratings reaffirmed are available at www.careratings.com and in other CARE publications.*
**Issuer did not cooperate; Based on best available information*

level during the year. The company total debt has increased to Rs. 7.69 crores as on March 31, 2019 from Rs. 5.05 crores as on March 31, 2018 as the company has taken unsecured loan of Rs. 2.73 crores in FY19.

Elongated Operating Cycle
The operating cycle of the firm stood at (84) days in FY19 as against (30) days in FY18 mainly on account of high creditors period of 162 days in FY19. The firm receives payment with half of a month resulting average collection days of 17 days. For processing of orders, the firm maintains inventory resulting to average inventory days of 61 days. Further, the firm receives credit period of around 4-5 months from its local suppliers on account of long standing relationship with them resulting into high creditors days of 162 days in FY19 as against 74 days in FY18 on account of higher Percentage (50%) decline in cost of sales as compare to percentage (25%) decline in Creditors .The average working capital borrowings of the company remained 10% utilized during the past 12 months ending November 30, 2019.

Highly competitive industry with business risk associated with tender-based orders
A.K. Builders faces direct competition from various organized and unorganized players in the market. There are number of small and regional players and catering to the same market which has limited the bargaining power of the firm and has exerted pressure on its margins. Further, the award of contracts are tender driven and lowest bidder gets the work. Hence, going forward, due to increasing level of competition and aggressive bidding, the profits margins are likely to be under pressure in the medium term.

Key rating strengths
Experienced management and long track record of operations
AKB was incorporated in January 1994 as proprietorship firm by Mr. Ashwini Garg. He is graduate by qualification and have experience of more than three decades through their association with this entity. They are associated with AKB since its inception and looks after overall business of the firm. The long standing presence in industry through this entity and other associates has enabled the company to establish a relationship with its customers and suppliers in the industry.

Moderate Capital Structure
The capital structure of the firm stood moderate on the past two balance sheet dates ending March 2019 on account of limited debt levels against satisfactory net worth base. The debt equity ratio and overall gearing ratio stood moderate at 0.03x and 1.96x as on March 31, 2019(A) as compare to 0.06x and 1.50x as on March 31, 2018 on account of limited debt levels against satisfactory net worth base.

Liquidity Position- Adequate
Adequate liquidity characterized by sufficient cushion in accruals vis-à-vis repayment obligations marked by GCA of Rs. 1.03 crores and total debt of Rs. 7.70 crores (includes unsecured loan of Rs. 7.60 crores) and moderate cash balance of Rs. 0.95 Crore as March 31, 2019. The firm has overall gearing of 1.96x as on March 31, 2019. Its bank limits are utilized to the extent of 10% ending November 30, 2019 and supported by above unity current ratio of 1.17x as on March 31, 2019.

Analytical Approach: Standalone

Applicable Criteria:
Policy in respect of Non-cooperation by issuer
Criteria on assigning ‘outlook’ and ‘credit watch’ to Credit Ratings
CARE’s Policy on Default Recognition
Rating Methodology - Infrastructure Sector Ratings
Financial ratios – Non-Financial Sector

About the Firm
Delhi based A. K. Builders was incorporated in January 1994 as a Proprietorship firm owned by Mr. Ashwini Garg. The firm is currently being managed by Mr. Ashwini Garg. The proprietor is graduate by Qualification and associated with the firm since inception. The firm is engaged in civil construction work for government departments only through tender system. The firm is mainly engaged in construction of Schools, hospitals and dispensaries of PWDs of Education and Health maintenance department. The firm obtains its main raw materials like cement, ready mix cement, tiles, bricks, hardware items, paint etc. from various domestic manufacturers and wholesalers like Ultratech, etc.

Brief Financials (Rs. crore)	FY17 (A)	FY18 (A)	FY19 (A)
Total operating income	36.06	48.34	25.52
PBILDT	1.34	1.80	1.64
PAT	0.96	1.24	0.93
Overall gearing (times)	2.01	1.50	1.96
Interest coverage (times)	3.41	3.66	2.70

A: Audited,

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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

Annexure-1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	0.90	CARE B+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB-; Stable on the basis of best available information
Non-fund-based - ST-Bank Guarantees	-	-	-	6.50	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information

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 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Cash Credit	LT	0.90	CARE B+; Stable; ISSUER NOT COOPERATING* Issuer not cooperating; Revised from CARE BB-; Stable on the basis of best available information	-	1)CARE BB-; Stable (17-Jan-20)	-	-
2.	Non-fund-based - ST-Bank Guarantees	ST	6.50	CARE A4; ISSUER NOT COOPERATING* Issuer not cooperating; Based on best available information	-	1)CARE A4 (17-Jan-20)	-	-

Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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About CARE Ratings:
CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an External Credit Assessment Institution (ECAI) by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

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