Amarnath Aggarwal Constructions Private Limited

June 27, 2018

Ratings

<table>
<thead>
<tr>
<th>Facilities</th>
<th>Amount (Rs. crore)</th>
<th>Rating</th>
<th>Rating Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short Term Bank Facilities</td>
<td>10</td>
<td>CARE A4 (A Four)</td>
<td>Reaffirmed</td>
</tr>
<tr>
<td>Total</td>
<td>10 (Rs. Ten crore only)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The rating assigned to the bank facilities of Amarnath Aggarwal Constructions Private Limited (AAC) continues to be constrained by the small and fluctuating scale of operations and working capital intensive nature of operations. The rating is further constrained by the revenue concentration risk as the company has a single project in hand along with fragmented and competitive nature of the construction sector.

The rating, however, derives strength from the experienced promoters, negligible external term debt obligation, comfortable overall solvency position and improving growth prospects of the construction sector.

Going forward, the ability of the company to profitably scale-up its operations and manage the working capital requirements efficiently shall remain the key rating sensitivities. Furthermore, the ability of the company to receive regular orders, successfully execute the project in hand and recover contract proceeds in a timely manner will also remain the key rating sensitivities.

Detailed description of the key rating drivers

Key Rating Weaknesses

Small and fluctuating scale of operations: The scale of operations of the company continued to remain small as indicated by the total operating income of Rs.9.75 crore in FY17. The same declined from Rs.19.18 crore in FY16, on account of lower work orders executed during the year. However, the company has achieved the total operating income of Rs.12 crore in FY18 (Prov.), on account of higher work orders executed, compared to FY17. The company has an unexecuted order valuing Rs.12.18 crore, as on May 31, 2018, which is expected to be executed by May-19.

Concentration risk on account of single project in hand: The current order book of the company consists of a single project which exposes it to client and geographical concentration risks associated with the smooth execution of the project. Any delay/ cancellation of the project is expected to have a strong impact on the income and profitability of the company going forward.

Working capital nature of operations: The operating cycle of the company elongated to 101 days, as on March 31, 2017 (Previous Year: 51 days). The average over draft limit utilization level also remained high at around 95% in the 12 months period ended May 2018.

Fragmented nature of the construction sector: The construction sector in India is highly fragmented with a large number of small and mid-sized players. This coupled with tendering process in order procurement results into intense competition within the industry.

Key Rating Strengths

Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.
**Experienced promoter:** The company was incorporated in 1979 by Mr Kulbhushan Goyal who is currently a director of the company and has been engaged in the civil construction business for almost four decades. The other directors of the company include Mr. Hargobind Goyal having ~25 years of experience, Mr. Mayank Goyal, who has an experience of ~10 years and Mr. Ainesh Goyal who has recently joined the business.

**Comfortable overall solvency position:** The capital structure of the company continued to remain comfortable with long term debt to equity ratio and overall gearing ratio of Nil and 0.21x, respectively, as on March 31, 2017 (as compared to 0.01x and 0.17x respectively, as on March 31, 2016). The debt coverage indicators also remained satisfactory with total debt to GCA ratio of 5.12x as on March 31, 2017 and interest coverage ratio of 1.44x in FY17 (2.68x in FY16).

**Improving growth prospects of construction sector:** The Indian construction sector is expected to grow, given huge economic significance associated with it and rising investor interest. The outlook for Indian construction sector continues to be stable in the medium to long-term on account of increased thrust of Government on development of infrastructure to support economic growth.

**Analytical Approach:** Standalone

**Applicable Criteria**
- Criteria on assigning Outlook to Credit Ratings
- Financial ratios – Non-Financial Sector
- Rating Methodology – Infrastructure Sector Ratings
- CARE’s methodology for Short Term Instruments
- CARE’s policy on default recognition

**About the Company**
Amarnath Aggarwal Constructions Private Limited (AAC) was incorporated in 1979 as a private limited company by Mr Kulbhushan Goyal. AAC is engaged in civil construction of roads, bridges, road over bridges, etc. AAC is a part of the Amarnath Aggarwal group, which has been in the construction and real estate business for more than 30 years through AAC and various group concerns, including Amarnath Aggarwal Investment Private Limited (AAIL; rated CARE A4).

The company is registered as a class “Super Speciality (SS)” contractor with Public Work Department (PWD) of Punjab and Haryana. AAC secures its contracts through competitive bidding process for the tenders floated by PWD, Northern Railways and Punjab State Electricity Boards (PSEB).

<table>
<thead>
<tr>
<th>Brief Financials (Rs. crore)</th>
<th>FY16 (A)</th>
<th>FY17 (A)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total operating income</td>
<td>19.18</td>
<td>9.75</td>
</tr>
<tr>
<td>PBILDT</td>
<td>1.06</td>
<td>0.42</td>
</tr>
<tr>
<td>PAT</td>
<td>0.54</td>
<td>0.18</td>
</tr>
<tr>
<td>Overall gearing (times)</td>
<td>0.17</td>
<td>0.21</td>
</tr>
<tr>
<td>Interest coverage (times)</td>
<td>2.68</td>
<td>1.44</td>
</tr>
</tbody>
</table>

*A: Audited*

**Status of non-cooperation with previous CRA:** ICRA has conducted the review on the basis of best available information and has classified Amarnath Aggarwal Constructions Private Limited as “Not cooperating” vide its press release dated July 06, 2017.

**Any other information:** NA

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

**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.
**For detailed Rationale Report and subscription information, please contact us at [www.careratings.com](http://www.careratings.com)**

**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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In case of partnership/proprietary concerns, the rating/outlook assigned by CARE is based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors.

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

<table>
<thead>
<tr>
<th>Name of the Instrument</th>
<th>Date of Issuance</th>
<th>Coupon Rate</th>
<th>Maturity Date</th>
<th>Size of the Issue (Rs. crore)</th>
<th>Rating assigned along with Rating Outlook</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund-based - ST-Bank Overdraft</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>2.00</td>
<td>CARE A4</td>
</tr>
<tr>
<td>Non-fund-based - ST-Bank Guarantees</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>8.00</td>
<td>CARE A4</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Sr. No.</th>
<th>Name of the Instrument/Bank Facilities</th>
<th>Type</th>
<th>Amount Outstanding (Rs. crore)</th>
<th>Rating</th>
<th>Date(s) &amp; Rating(s) assigned in 2018-2019</th>
<th>Date(s) &amp; Rating(s) assigned in 2017-2018</th>
<th>Date(s) &amp; Rating(s) assigned in 2016-2017</th>
<th>Date(s) &amp; Rating(s) assigned in 2015-2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Fund-based - ST-Bank Overdraft</td>
<td>ST</td>
<td>2.00</td>
<td>CARE A4</td>
<td>1)CARE A4 (19-Sep-17)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2.</td>
<td>Non-fund-based - ST-Bank Guarantees</td>
<td>ST</td>
<td>8.00</td>
<td>CARE A4</td>
<td>1)CARE A4 (19-Sep-17)</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>
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