

Aryan Constructions (Revised)

February 06, 2023

Facilities/Instruments	Amount (₹ crore)	Rating ¹	Rating Action
Long Term Bank Facilities	0.45	CARE BB-; Stable; ISSUER NOT COOPERATING*	Revised from CARE BB; Stable (Double B; Outlook: Stable) and moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	11.00	CARE A4; ISSUER NOT COOPERATING*	Rating moved to ISSUER NOT COOPERATING category

Details of instruments/facilities in Annexure-1.

*Issuer did not cooperate; based on best available information.

Rationale and key rating drivers

CARE has been seeking information from Aryan Constructions (ACS) to monitor the rating vide email dated October 18, 2022, November 07, 2022, December 30, 2022 and January 05, 2023. However, despite our repeated requests, the company has not provided requisite information for monitoring of rating. In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating.

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

The revision in ratings factors in non-cooperation by ACS and CARE's efforts to undertake a review of the ratings outstanding. CARE views information availability risk as a key factor in its assessment of credit risk. The rating continues to be constrained by decline in order book position, volatility in the raw material prices, geographical concentration risk and presence in highly fragmented and competitive civil construction industry along with tender driven nature of business and risk of capital withdrawal associated to the constitution of the firm as partnership concern. However, the rating continues to derive its strengths from consistent improvement in its scale of operations translating into growth in its cash accruals thereby maintaining lower reliance on external debt, long-term experience of the promoters and established track record of the firm in the industry, low operating cycle of firm and stable outlook of the construction sector.

Analytical approach: Standalone

Key weaknesses

Relatively low order book position

Current order book stands at Rs.67.67 Cr as on November 30, 2021 as against Rs.153.92 Cr as on November 30, 2021. Most of the orders were received during last 1-2 years and since the BG limits were fully utilized, it could not bid for future projects. Firm has now received enhanced BG limits from lender which would aid it in bidding for higher number of projects. Moreover, ACS has been declared L1 for order worth Rs. 15 crore and has another Rs. 27 crore of projects are under bidding.

Volatility in raw material prices

The prices of the key raw materials viz., iron, cement, sand and aggregates are volatile in nature. Volatility in input prices also impacts the profitability margins. Moreover, the firm does not enter into any agreement with contractor to safeguard its margins and against any increase in labour prices thus it remains susceptible to the same. Hence, any adverse fluctuation in the prices can adversely affect the profitability margins of the firm.

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

Geographical concentration risk

ACS is a relatively small construction player with major focus on construction of buildings, bridges and roads concentrated to Karnataka. Hence ACS is exposed to geographical concentration risk.

Highly fragmented and competitive civil construction industry along with tender driven nature of business

The firm receives most of its work orders from government organizations which are tender- based. The revenues of the firm are dependent on the ability of the promoters to bid successfully for the tenders and execute the same effectively. However, the promoter's long experience in the industry for more than two decades mitigates the risk to an extent. Nevertheless, there are numerous fragmented & unorganized players operating in the segment which makes the industry highly competitive. Furthermore, the profitability margins also come under pressure because of competitive nature of the tender based contract works of the firm.

Partnership nature of constitution with inherent risk of capital withdrawal

ACS is constituted as a partnership firm wherein it is exposed to frequent withdrawal of partners' capital and resultant erosion of the net worth resulting in lower capital base despite the firm being able to generate sufficient profits in the past. During the review period the partners have withdrawn capital to the extent of Rs. 1.63 crore in FY21 (Prov.).

Key Rating Strengths**Long term experience of the promoters and established track record of the firm**

Aryan Constructions was established in the year 2004 and promoted by Mr. B. C. Raghunandan, Managing partner and other two partners Mr. S. G. Krishnamurthy and Smt. Vijaya Ashwin. ACS has been in the civil construction business for more than a decade and has satisfactory track record of completion of bridges, roads, buildings and other civil construction contracts awarded by government bodies and private organisations in the state of Karnataka.

Improving financial risk profile of the firm

The firm has achieved a turnover of Rs.83.04 Cr in FY21(Prov.) as against Rs.63.76Cr in FY20 due to higher order executed during the year. The firm has achieved around Rs.43.63 Cr as on November 30, 2021. Consequently, GCA of the firm increased from Rs. 2.43 crore in FY20 to Rs. 2.75 crore in FY21. TOL/TNW of the firm was 1.69x as on March 31, 2021 as against 1.67x as on March 31, 2020. The average working capital limits of the firm stood at around 74% during the 12 months ended November 30,2021. The total debt to GCA and interest coverage ratio stood satisfactory at 0.73x and 12.49x in FY21 (Prov.) as compared to 1.01x and 12.52x in FY20 due to increase in cash accruals and PBILDT in absolute terms along with decrease in the total debt level.

Comfortable operating cycle

The operating cycle of the firm stood comfortable at 3 days as on March 31, 2021 (Prov.) The firm receives payment from its customer on average of 30 days and makes the payment to its suppliers in 30-50 days. The firm to avoid un-even price fluctuations in raw materials maintains an inventory of 20-30 days.

Applicable criteria

[Policy on default recognition](#)
[Financial Ratios – Non financial Sector](#)
[Rating Outlook and Credit Watch](#)
[Short Term Instruments](#)
[Construction](#)
[Policy in respect of non-cooperation by issuers](#)
[Policy on Withdrawal of ratings](#)

About the company

Mysuru based, Aryan Constructions (ACS) is a partnership firm established in the year 2004 by Mr. B. C. Raghunandan, Mr. S. G. Krishnamurthy and Smt. Vijaya Ashwin. ACS is certified Class A contractor registered with Karnataka State Public Works Department and is engaged in construction of Roads, Bridges, Guest House, Public Prosecutor Building, Govt. colleges, schools and many other infrastructure facilities both for government and private organisation. ACS has been in the civil construction business for more than a decade and has satisfactory track record of completion of bridges, roads and other civil construction contracts awarded by government bodies in the state of Karnataka & Centre. The firm receives the work order from government organization by participating in the tenders.

Brief Financials (₹ crore)	March 31, 2021 (UA)	March 31, 2022 (UA)	December 31, 2022 (UA)
Total operating income	83.04	NA	NA
PBILDT	4.55	NA	NA
PAT	2.68	NA	NA
Overall gearing (times)	0.19	NA	NA
Interest coverage (times)	12.67	NA	NA

A: Audited UA: Unaudited NA: Not Available

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating history for the last three years: Please refer Annexure-2

Covenants of the rated instruments/facilities: Detailed explanation of the covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of the various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance	Coupon Rate (%)	Maturity Date	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	-	0.45	CARE BB-; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-Bank Guarantee	-	-	-	-	11.00	CARE A4; ISSUER NOT COOPERATING*

*Issuer did not cooperate; based on best available information.

Annexure-2: Rating history for the last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022	Date(s) and Rating(s) assigned in 2020-2021	Date(s) and Rating(s) assigned in 2019-2020
1	Fund-based - LT-Cash Credit	LT	0.45	CARE BB-; Stable; ISSUER NOT COOPERATING *	-	1)CARE BB; Stable (06-Jan-22)	1)CARE BB-; Stable (30-Nov-20)	1)CARE BB-; Stable (06-Sep-19) 2)CARE B+; Stable; ISSUER NOT COOPERATING * (12-Aug-19)
2	Non-fund-based - ST-Bank Guarantee	ST	11.00	CARE A4; ISSUER NOT COOPERATING *	-	1)CARE A4 (06-Jan-22)	1)CARE A4 (30-Nov-20)	1)CARE A4 (06-Sep-19) 2)CARE A4; ISSUER NOT COOPERATING * (12-Aug-19)

*Long term/Short term.

*Issuer did not cooperate; based on best available information.

Annexure-3: Detailed explanation of the covenants of the rated instruments/facilities Not Applicable**Annexure-4: Complexity level of the various instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based - LT-Bank Overdraft	Simple
2	Fund-based - LT-Term Loan	Simple
3	Non-fund-based - ST-BG/LC	Simple

Annexure-5: Lender detailsTo view the lender wise details of bank facilities please [click here](#)

Note on the complexity levels of the rated instruments: CARE Ratings 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 for any clarifications.

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