

Aishwarya Constructions

March 17, 2022

Rating

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long Term Bank Facilities	49.50	CARE B; Stable; ISSUER NOT COOPERATING* (Single B; Outlook: Stable ISSUER NOT COOPERATING*)	Revised from CARE B+; Stable (Single B Plus; Outlook: Stable) and moved to ISSUER NOT COOPERATING category
Total Bank Facilities	49.50 (Rs. Forty-Nine Crore and Fifty Lakhs Only)		

*Issuer Not Cooperating: Based on Best Available Information

Details of facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE has been seeking information from Aishwarya Construction to monitor the rating vide e-mail communications dated December 13, 2021, January 05, 2022, February 09, 2022, February 17, 2022 & March 04, 2022 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 based on the publicly available information which however, in CARE's opinion is not sufficient to arrive at a fair rating. Further, Aishwarya Construction has not paid the surveillance fees for the rating exercise as agreed to in its Rating Agreement. The rating on Aishwarya Constructions bank facilities will 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 rating(s).

The ratings revised on account of non-availability of latest financials and the latest operational data. 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 the last rating on February 02, 2021, following were the rating weaknesses and strengths:

Detailed description of the key rating drivers

Key Rating Weaknesses

Modest scale of operations and moderate profitability margins:

The operations of the firm commenced in April 2019. Further, the company registered a total operating income (TOI) of Rs.45.02 crore during FY20, with execution of the orders at hand. However, execution was impacted during Q1FY21 amid country wide lockdown in the wake of Covid-19 pandemic. However; the same has improved gradually with the relaxation of the lockdown. Furthermore, the firm has booked revenue of Rs.3.77 crore during 9MFY21 (referring to a period from April 01 to December 31) and the Work in process inventory stood at Rs.80.21 crore as on December 31, 2020 for which the revenue is expected to be booked post physical verification. The scale of operations of the firm is modest, coupled with moderate net worth base at Rs.5.76 crore as on March 31, 2020, which restricts the financial flexibility of the firm during industry downturn. Furthermore, the profitability margins of the firm stood moderate with PBILDT margin of 12.48% and PAT margin of 8.35% for FY20.

Moderate capital structure and debt coverage indicators:

The total debt of the firm consists of vehicle loans and mobilization advances of Rs.11.59 crore as on March 31, 2020 as against net-worth base of Rs.5.76 crore resulting in moderate capital structure as marked by the overall gearing ratio at 2.01x as on March 31, 2020. The sanctioned cash credit limits was unutilized as on March 31, 2020. Further, with moderate profitability and gearing levels, the debt coverage indicators also stood at moderate levels as reflected by interest coverage ratio of 3.28x and total debt to GCA at 2.97x as at the end of FY20.

Geographical concentration risk and high dependence on government spending:

The road construction projects are significantly exposed to political stability at the respective state and central government levels. Further, AC is a regional player with outstanding orders concentrated in the only in state of Maharashtra exposing the firm to considerable geographical concentration risk. Moreover, the principal customer of the outstanding orderbook of AC; is related to Government contracts, which makes the firm highly susceptible to any drop in government spending on infrastructure projects amid pandemic.

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

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Highly competitive industry due to fragmented and tender-driven nature of business:

AC operates in the engineering procurement and construction industry mainly related to road construction projects, which is fragmented in nature with a large number of small and medium scale players present at regional level. This coupled with the tender-driven nature of contracts leading to aggressive bidding on account of huge competition, in turn increasing pressure on the profit margins of the players.

Partnership nature of constitution:

Being a partnership firm, AC is exposed to the risk of withdrawal of capital by partners due to personal exigencies, dissolution of firm due to retirement of partners and restricted financial flexibility due to inability to explore cheaper sources of finance leading to limited growth potential. This also limits the firm's ability to meet any financial exigencies.

Key Rating Strengths

Experienced promoters and management:

The partner of the firm Mr. Suryabhan K. Bhosale has around four decades of experience in the EPC segment, including construction of roads through his partnership firm "Renuka Constructions" and various other entities. Further, the other partner Mrs. Sangeeta Mangrule has more than two decades of experience of investing and handling real estate projects and is a trustee at Shreeyash Pratishthan an educational trust which operates Engineering, Pharmacy, Arts, Science and Commerce colleges at Aurangabad. The promoters are supported by experienced management team headed by Mr. Basavaraj Mangrule, Chief Engineer (Spouse of Mrs. Sangeeta Mangrule) who has around three decades of experience in executing EPC projects through S. B. Engineers. Extensive experience of the promoters and management would help AC in strategic planning and timely execution of the projects.

Healthy order book position albeit significant concentration in orders:

The firm has a healthy outstanding order book position of Rs.366.06 as on December 31, 2020 which is 8.13 times on the FY20 TOI (as against outstanding order book position of Rs.414.73 crore as on November 30, 2019) providing revenue visibility in the medium term. Further, the outstanding order book is related to road construction and its maintenance thereof for the period of 10 years post completion of the road construction project. Despite healthy order book status, the outstanding orderbook is highly concentrated with only three orders from single customer OSD-BEED-LATUR AU-1 Stateways Private Limited (OBLSP; A Special purpose vehicle of the joint venture formed by S.B. Engineers and Kalyan Toll Infrastructure Limited to execute Hybrid Annuity Mode road project for Maharashtra public works department). The same may adversely impact the financial risk profile of AC in case of any delay in receipts significantly hampering the cash flows of AC. Moreover, the order book position of the firm has moderated compared to previous year due to absence of fresh orders secured during the year. Securing fresh orders from diverse customer base is a key rating monitorable.

Presence of operational and management synergies with group companies and the key customer OBLSP:

AC is promoted by Mr. Suryabhan K. Bhosale and Ms. Sangeeta Mangrule. Further, S.B. Engineers is a proprietorship firm promoted by Mr. Basavaraj V Mangrule (spouse of Ms. Sangeeta Mangrule). AC and SBE exhibit synergies on account of reduced costs due to common management and workforce. Also, the partners of AC and Mr. Basavaraj Mangrule jointly own 74% of the shares of OBLSP in turn exhibiting managerial synergies with their key customer. Moreover, potential infusion of the surplus funds between the companies provides support to the operations.

Liquidity Analysis - Stretched

The liquidity position of the firm is stretched with envisaged lower net cash flow vis-à-vis repayment obligations of Rs.1.11 crore for FY21. Its capex requirements are modular and is expected to be funded using internal accruals. Further, the average utilization of the working capital limits (sanctioned amount Rs.49.50 crore) stood at 70% for the last 12 months ended December 31, 2020. The cash and bank balance stood moderate at Rs.8.15 Crore as on March 31, 2020. Furthermore, AC has received mobilization advances to the tune of Rs.11.52 crore as on March 31, 2020 from its key customer to support execution of the road construction project. Also, the firm has availed guaranteed emergency line of credit and Covid-19 specific loans amounting to Rs.7.62 crore to support its operations. However, the firm has not availed moratorium (Covid-19 Regulatory Package announced by RBI) for deferment of interest payments of working capital limits. The gross current asset days of the firm stood at 7 days as at the end of FY20 with higher work in progress inventory.

Analytical approach: Standalone

Applicable Criteria

[Policy in respect of Non-cooperation by issuer](#)

[Criteria on assigning Outlook to Credit Ratings](#)

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

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

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

[Rating Methodology – Construction sector](#)

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About the Company

Aishwarya Construction (AC) was established in November 2018, by Mr. Suryabhan K. Bhosale and Mrs. Sangeeta Mangrulkar. However, the commercial operations of the firm commenced in April 2019. The firm is engaged in the business of execution of Engineering Procurement and Construction (EPC) projects in the infrastructure segment primarily in construction, up gradation, repair and maintenance of roads

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021	9MFY22
Total operating income	45.02	NA	NA
PBILDT	5.62	NA	NA
PAT	3.76	NA	NA
Overall gearing (times)	2.01	NA	NA
Interest coverage (times)	3.28	NA	NA

A: Audited, , NA: Not Available

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Disclosure of Interest of Independent/Non-Executive Directors of CARE: Not Applicable

Disclosure of Interest of Managing Director & CEO: Not Applicable

Rating History: Please refer Annexure-2

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

Complexity level of various instruments rated for this company: Annexure 4

Annexure-1: Details of 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		-	-	-	49.50	CARE B; Stable; ISSUER NOT COOPERATING*

*Issuer did not cooperate; Based on best available information

Annexure-2: Rating History of last three years

Sr. No.	Name of the Bank Facilities	Type	Current Ratings		Rating history			
			Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 20212022	Date(s) & Rating(s) assigned in 20202021	Date(s) & Rating(s) assigned in 20192020	Date(s) & Rating(s) assigned in 20182019
1	Fund-based – LT Cash Credit	LT	49.50	CARE B; Stable; ISSUER NOT COOPERATING *	-	1)CARE B+; Stable (02-Feb21)	1)CARE B+; Stable (03-Jan20)	-

*Issuer did not cooperate; Based on best available information

Annexure 3: Detailed explanation of covenants of the rated facilities: Not applicable

Annexure 4: Complexity level of various instruments rated for this Company

Sr. No	Name of instrument	Complexity level
1	Fund-based - LT-Cash Credit	Simple

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Annexure 5: Bank Lender Details for this Company

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 for any clarifications.

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With an established track record of rating companies over almost three decades, we follow a robust and transparent rating process that leverages our domain and analytical expertise backed by the methodologies congruent with the international best practices. CARE Ratings Limited has had a pivotal role to play in developing bank debt and capital market instruments including CPs, corporate bonds and debentures, and structured credit.

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****For detailed Rationale Report and subscription information, please contact us at www.careedge.in**

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