

**Arvind. BG. Contractor (Revised)**

December 05, 2023

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term Bank Facilities	7.00	CARE B+; Stable; ISSUER NOT COOPERATING*	Revised from CARE BB-; Stable and moved to ISSUER NOT COOPERATING category
Short Term Bank Facilities	2.00	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 Ratings Limited (CARE Ratings) has been seeking information from Arvind. BG. Contractor to monitor the rating vide e-mail communications dated August 09, 2023, September 13, 2023, and October 17, 2023, and numerous phone calls. Company has also not been submitted the No default statements (NDS) for the months of September and October 2023. However, despite our repeated requests, the firm has not provided the requisite information and NDS for monitoring the ratings. In line with the extant SEBI guidelines, CARE Ratings 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 Arvind. BG. Contractor bank facilities will now be denoted as CARE B+/CARE A4; 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 rating has been revised on account of the absence of latest information pertaining to the firm, such as operational information, FY23 financials, liquidity profile, etc., in order to ascertain its ability to timely repay debt.

**Analytical approach:** Standalone

**Outlook:** Stable

**Detailed description of the key rating drivers:**

At the time of last rating on September 26, 2022, the following were the rating strengths and weaknesses.

**Key weaknesses**
**Small scale of operations with moderation in total operating income in FY22**

Besides the small scale of operations, the firm's total operating income declined by 26.17% in FY22 to ₹ 19.10 crore from ₹ 25.87 crore. The main reason attributable to such decline was the administrative delays by the state government department in approving the firms' requisitions for payments, which led to the firm postponing its recognition of revenue. However, the firm has work orders worth ₹ 19.92 crores and L1 orders worth ₹ 1.14 crore which is expected to be completed before FY23.

**Working capital intensive nature of operations**

The firm predominantly caters to Karnataka state government projects, the promoter's expertise in the segment has aided the firm in predominance of projects on time and is able to collect receivables within 60 days. The firm enjoys liberal credit period up to 90 days due to the long association with suppliers. The operating cycle is satisfactory at less than 6 days during FY22. However, advance payments to its subcontractors and retention by the government stretches the overall liquidity. The average utilization of working capital limits stands at around 80%.

**Customer and geographic concentration risk**

Arvind. BG. Contractor is a relatively small construction player in Karnataka. Hence the firm is exposed to geographical concentration risk. Besides this, the client base of the firm is skewed towards government departments in Karnataka with firm generating majority of its income from PWD and Municipal Corporation

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

The firm is operating in highly competitive and fragmented industry. It witnesses intense competition from largely unorganized players as the projects are tender-based and the revenues are dependent on the firm's ability to bid successfully for these tenders.

<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

This fragmented and highly competitive industry results into price competition thereby affecting the profitability margins of the companies operating in the industry.

#### Proprietary nature of constitution

Arvind, being proprietary firm, is exposed to inherent risk of the promoter's capital being withdrawn at time of personal contingency and firm being dissolved upon death. Moreover, proprietary firm business has restricted avenues to raise capital which could prove a hindrance to its growth.

#### Susceptibility to fluctuation in raw material prices

The basic input materials for execution of contracts are steel and cement, the prices of which are highly volatile. Hence, the operating margin of the firm is exposed to any sudden spurt in the input material prices along with increase in labour prices being in labour intensive industry.

#### Key strengths

##### Experience of promoter for more than a decade in Construction industry

Arvind. BG. Contractor has a track record of more than a decade in construction industry. Due to long term presence in the market, the proprietor has established relations with customers and suppliers which enable the firm to get repeated orders from existing customers and addition of new customers. The major orders are received from Municipal departments of Karnataka state. Arvind BG Contractor has a satisfactory contract completion track record. Arvind BG contractor is Class-1 PWD contractor and a Class A contractor with Road and Building Departments (R&B).

##### Satisfactory capital structure

The overall gearing ratio improved to 0.74x as on FY22 from 0.92x in FY21 on account of increase in net worth by accretion of profit. As on March 31, 2022, the debt consists of working capital borrowings of ₹ 3.43 crore, term loans of ₹ 1.57 Cr and other unsecured loans, that generally comprises of vehicle and machinery loans, of ₹ 1.50 crore. Other debt coverage indicators also remained stable during FY22 as reflected by interest coverage ratio of 5.30x (PY: 5.27x).

##### Satisfactory profitability margins

PBILDT margin has improved marginally to 12.80% in FY22 from 11.91% in FY21. PAT margins has also improved at 5.14% during FY22 from 5.12% in FY21. The major operating expenses are being absorbed by material purchases, labour charges and other overhead expenses for execution of work orders. Also, besides these, the raw materials are procured from local known suppliers there by reducing the material costs. The client assigns subcontracting to other players in some cases where it is profitable to the firm based on the feasibility and location. The orders being executed by the firm does not contain price escalation clause.

#### Applicable criteria

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

[Policy on default recognition](#)

[Financial Ratios – Non financial Sector](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Credit Watch](#)

[Short Term Instruments](#)

[Construction](#)

#### About the company and industry

##### Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Industrials	Construction	Construction	Civil Construction

Bengaluru based, Arvind. BG. Contractor was established in the year 2010 as proprietorship firm by Mr. Arvind Bevinahalli Gowda. The firm is engaged in the business of civil construction such as laying of roads and construction of buildings and bridges in the state of Karnataka and is a registered class "A" contractor with Public Works Department (PWD) and Road and Building Departments (R&B). The proprietor Mr. Arvind Bevinahalli Gowda, MBA graduate looks after the day-to-day operations of the firm.

**Brief Financials (₹ crore)**

**March 31, 2021 (A)**

**March 31, 2022 (UA)**

Total operating income	25.87	19.10
PBILDT	3.08	2.44
PAT	1.33	0.98
Overall gearing (times)	0.92	0.74
Interest coverage (times)	5.27	5.30

A: Audited UA: Unaudited; Note: 'the above results are latest financial results available'

**Status of non-cooperation with previous CRA:** Not Applicable

**Any other information:** Not Applicable

**Rating history for last three years:** 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:** 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	-	-	-	-	5.00	CARE B+; Stable; ISSUER NOT COOPERATING*
Fund-based - LT-Proposed fund-based limits	-	-	-	-	2.00	CARE B+; Stable; ISSUER NOT COOPERATING*
Non-fund-based - ST-Bank Guarantee	-	-	-	-	1.00	CARE A4; ISSUER NOT COOPERATING*
Non-fund-based - ST-Bank Guarantee	-	-	-	-	1.00	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 2023-2024	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
1	Fund-based - LT-Cash Credit	LT	5.00	CARE B+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable (26-Sep-22)	1)CARE BB-; Stable (02-Jul-21)	1)CARE BB-; Stable (13-Apr-20)
2	Fund-based - LT-Proposed fund based limits	LT	2.00	CARE B+; Stable; ISSUER NOT COOPERATING*	-	1)CARE BB-; Stable (26-Sep-22)	1)CARE BB-; Stable (02-Jul-21)	1)CARE BB-; Stable (13-Apr-20)

3	Non-fund-based - ST-Bank Guarantee	ST	1.00	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4 (26-Sep-22)	1)CARE A4 (02-Jul-21)	1)CARE A4 (13-Apr-20)
4	Non-fund-based - ST-Bank Guarantee	ST	1.00	CARE A4; ISSUER NOT COOPERATING*	-	1)CARE A4 (26-Sep-22)	1)CARE A4 (02-Jul-21)	1)CARE A4 (13-Apr-20)

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

LT/ST: Long term/Short term.

### Annexure-3: Detailed explanation of 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-Cash Credit	Simple
2	Fund-based - LT-Proposed fund-based limits	Simple
3	Non-fund-based - ST-Bank Guarantee	Simple

### Annexure-5: Lender details

To 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](mailto:care@careedge.in) for any clarifications.

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