

Amarnath Aggarwal Constructions Private Limited

March 31, 2022

Rating

Facilities/Instruments	Amount (Rs. crore)	Rating ¹	Rating Action
Short Term Bank Facilities	10.00	CARE A4; ISSUER NOT COOPERATING* (A Four ISSUER NOT COOPERATING*)	Rating moved to ISSUER NOT COOPERATING category
Total Bank Facilities	10.00 (Rs. Ten Crore Only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

CARE Ratings Ltd. has been seeking information from Amarnath Aggarwal Constructions Private Limited (AAC) to monitor the rating(s) vide e-mail communications/letters dated March 23, 2022, March 17, 2022, March 05, 2022, etc. among others and numerous phone calls. However, despite our repeated requests, the company has not provided the requisite information for monitoring the ratings. 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. The rating on Amarnath Aggarwal Constructions Private Limited's bank facilities will now be denoted as **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 assigned to the bank facilities of Amarnath Aggarwal Constructions Private Limited (AAC) continues to be constrained by small scale of operations with loss reported at net level in FY21 (refers to the period from April 01 to March 31). The rating is further constrained by the client & geographical concentration risks along with fragmented and competitive nature of the construction sector. The rating, however, derives strength from the experienced promoters, long operational track record, moderate capital structure, moderate order book position.

Detailed description of the key rating drivers

At the time of last rating on April 05, 2021 the following were the rating strengths and weaknesses (updated for the information available from MCA):

Key Rating Weaknesses

Small scale of operations, along with losses reported in FY21

Despite being in operations for more than three decades, the company's scale of operations has remained low marked by Total Operating Income (TOI) of Rs.5.23 crore in FY21 (PY: Rs.3.66 crore) on account of lower work orders executed during the year. The company reported low PBILDT owing to high operational expenses. Consequently, the company also reported losses at the net level.

Client & geographical concentration risk

The company has an unexecuted order book position of ~Rs.42 cr., as on March 17, 2021. The current order book of the company consists of only two projects which exposes it to client and geographical concentration risks associated with the smooth execution of the projects. Any delay/ cancellation of the projects is expected to have a strong impact on the income and profitability of the company going forward. However, CARE does not have any updated details on the same.

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. Additionally, continued increase in execution challenges including delays in land acquisition, regulatory clearances and elongated working capital cycle due to longer gestation period of the projects collectively put pressure on the credit profile of the players.

Key Rating Strengths

Experienced promoter and long operational track record:

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 more than ~25 years of experience, Mr. Mayank Goyal, who has an experience of more than ~10 years and Mr. Ainesh Goyal who has an experience of more than ~1 year.

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

Moderate order book position

The company has an unexecuted order valuing nearly Rs.42 crore, as on March 17, 2021, which is ~12x the total operating income achieved by the company in FY20. However, CARE does not have any updated details on the same.

Comfortable capital structure

The capital structure of the company remained comfortable marked by long-term debt to equity ratio and overall gearing ratios of 0.06x and 0.30x respectively as on March 31, 2021 (PY: 0.02x and 0.27x, respectively). The overall gearing ratio deteriorated on a year-on-year basis owing to higher working capital borrowings outstanding at the end of the year coupled with erosion of net worth on account of losses incurred at the net level. However, the debt coverage indicators of the company stood weak in FY21 on account of cash losses and lower PBILDT level.

Liquidity: Stretched

The operating cycle of the company stood elongated at 180 days, as on March 31, 2021. The average over draft limits utilization level continued to remain at ~80-90% in the last 12 months, ended February-2021. The company had free cash & bank balance of Rs.0.49 crore as on March 31, 2021. In FY21, the company availed Covid loan of Rs.0.33 crore for which repayment starts in September 2021. The current and quick ratios of the company stood at 3.44x and 2.28x, respectively as on March 31, 2021 (PY: 3.06x and 2.24x, respectively). The company doesn't have any capex plans in near future. The company had availed the moratorium from bank in light of COVID19 pandemic for servicing of its debt obligations.

Analytical approach: Standalone

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](#)

[Short Term Instruments](#)

[Manufacturing Companies](#)

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 Amar Nath Aggarwal group, which has been in the construction and real estate business for more than 30 years through AAC and various group concerns. Besides AAC, the group has Amarnath Aggarwal Investments Pvt. Ltd., Amarnath Aggarwal Builders Pvt. Ltd. and Amarnath Aggarwal Colonizers Pvt. Ltd. AAC is registered as a class 'S' contractor with Public Work Department (PWD) of Punjab & Haryana. AAC secures its contracts through competitive bidding process for the tenders floated by PWD, Northern Railways and Punjab State Electricity Boards (PSEB).

Brief Financials (Rs. crore)	31-03-2020 (A)	31-03-2021 (A)	9MFY22*
Total operating income	3.66	5.23	NA
PBILDT	-0.39	0.19	NA
PAT	-0.68	-0.18	NA
Overall gearing (times)	0.27	0.30	NA
Interest coverage (times)	-1.40	0.61	NA

A: Audited

*refers to the period from April 1, 2021 to December 31, 2021.

Status of non-cooperation with previous CRA: ICRA has placed its rating under non-cooperation due to non - submission of information by the entity as per its press release dated February 25, 2021

Any other information: Not Applicable

Rating History (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 for this company: Annexure 4

Annexure-1: Details of Instruments / 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 - ST-Bank Overdraft		-	-	-	2.00	CARE A4; ISSUER NOT COOPERATING*
Non-fund-based - ST-Bank Guarantee		-	-	-	8.00	CARE A4; ISSUER NOT COOPERATING*

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 2021-2022	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019
1	Fund-based - ST-Bank Overdraft	ST	2.00	CARE A4; ISSUER NOT COOPERATING*	1)CARE A4 (05-Apr-21)	1)CARE A4 (06-Apr-20)	-	1)CARE A4 (05-Dec-18) 2)CARE A4 (27-Jun-18)
2	Non-fund-based - ST-Bank Guarantee	ST	8.00	CARE A4; ISSUER NOT COOPERATING*	1)CARE A4 (05-Apr-21)	1)CARE A4 (06-Apr-20)	-	1)CARE A4 (05-Dec-18) 2)CARE A4 (27-Jun-18)

* Long Term / Short Term

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

Sr. No	Name of instrument	Complexity level
1	Fund-based - ST-Bank Overdraft	Simple
2	Non-fund-based - ST-Bank Guarantee	Simple

Annexure 5: Bank Lender Details for this CompanyTo 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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About CARE Ratings Limited:

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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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