

Ahluwalia Contracts (India) Limited

February 3, 2017

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long term Bank Facilities	150	CARE A; Stable (Single A; Outlook: Stable)	Reaffirmed
Long/Short Term Bank Facilities	745	CARE A; Stable /CARE A1 (Single A; Outlook:Stable /A One)	Reaffirmed
Total	895 (Rs. Eight Hundred and ninety five crore only)		

Details of facilities in Annexure-1

Detailed Rationale

The ratings assigned to the bank facilities of Ahluwalia Contracts (India) Limited (ACIL) continue to take into account the improvement in financial risk profile of the company in FY16 (refers to the period April 1 to March 31) reflected by healthy profitability margins, improvement in solvency position and debt coverage indicators, comfortable liquidity position, strong order book position which is now largely towards government contracts with relatively better payment terms and input price escalation clauses. The ratings continue to derive strength from ACIL's experience in diversified construction activities, established track record & execution capabilities, and diverse client base. The ratings, however, continue to be constrained by the inherent cyclical trends associated with the construction sector, working capital intensive nature of operations and relatively large receivables.

The ability of the company to manage its working-capital requirements efficiently, timely execution of the projects while improving profitability, favorable resolution of past debtors which are currently under arbitration and satisfactory progress on old work orders of private real estate developers shall be the key rating sensitivities.

Detailed description of the key rating drivers

For FY16, total income from operations increased by 18.3% to Rs.1,262 crore against Rs.1,067 crore in FY15 with improvement in order execution. The profitability margins improved significantly with PBILD margin of 13.77% and PAT margin of 6.69% in FY16 against 11.69% and 5.99% respectively in FY15. The overall gearing ratio stood at 0.53x as on March 31, 2016 and the same improved as compared to previous year (0.65x) owing to consistent fund infusion by the promoters leading to relatively lesser reliance on external debt and comfortable liquidity position.

The company had a strong unexecuted order book of Rs.4,355 crore as on September 30, 2016, (~3.45x of total income of FY16) which is now largely towards government contracts with relatively better payment terms and input price escalation clauses, as against the earlier position wherein there was relatively higher dependence on private real estate contracts facing execution and payment issues. At present, the company has 57 projects under execution with a diverse client base which includes leading private and public sector entities

The Board of ACIL is professionally managed, headed by Mr. Bikramjit Ahluwalia. He is assisted by a team of professionally qualified executives including Mr. Shobhit Uppal, Dy. Managing Director, who has more than 28 years' experience in infrastructure space. In the past, the company has successfully completed several projects ranging from construction of institutional buildings, corporate office complexes, multi-storied housing complexes, township development projects, hospitals, 5-star hotels, educational institutes, gymnasiums & sport complexes etc.

The operations of the company remain working capital intensive and operating cycle continue to remain elongated, though has marginally improved as on March 31, 2016 compared to previous year. The improvement was primarily due to decrease in collection period to 150 days (162 days in FY15). The liquidity position has also improved owing to satisfactory progress in projects leading to improved profitability and higher cash accruals and also infusion of funds by the promoters as and when required

¹Complete definitions of the ratings assigned are available at www.careratings.com and in other CARE publications.

Analytical approach: Standalone

Applicable Criteria

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

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

[Criteria for Short-term Instruments](#)

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

About the Company

Ahluwalia Contracts (India) Limited (ACIL), incorporated on June 2, 1979 is promoted by Mr. Bikramjit Ahluwalia, CMD, and a civil engineer by profession with more than four decades of experience in the construction industry. ACIL is a listed company and is engaged in civil construction and turnkey projects. It is actively engaged in construction of institutional buildings, corporate office complexes, industrial buildings, multi-storied housing complexes, township development projects, hospitals, medical colleges, 5-star hotels, educational & technical institutes, schools & auditoriums, gymnasiums & sports complexes etc. ACIL has a pan India presence.

For FY16, ACIL reported PAT of Rs.84.4 crore on a total operating income of Rs.1,262.5 crore as against PAT of Rs.61.7 crore on a total operating income of Rs.1,067.1 crore in FY15. The company's order book stood at approximately Rs.4,355 crore as on September 30, 2016.

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

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.*

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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.

Annexure 1: Details of Instruments/Facilities

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Term Loan-Long Term	-	-	Q4FY17	20.00	CARE A; Stable
Fund Based - LT-Cash Credit	-	-	-	130.00	CARE A; Stable
Non-Fund Based - LT/ ST-BG/LC	-	-	-	745.00	CARE A; Stable / CARE A1

Annexure 2: Rating History for last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Chronology of Rating history for past three years			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015	Date(s) & Rating(s) assigned in 2013-2014
1.	Term Loan-Long Term	LT	20.00	CARE A; Stable	1)CARE A (13-Sep-16)	1)CARE A- (24-Aug-15)	1)CARE BBB+ (02-Feb-15)	1)CARE BBB (22-Jan-14)
2.	Fund Based - LT-Cash Credit	LT	130.00	CARE A; Stable	1)CARE A (13-Sep-16)	1)CARE A- (24-Aug-15)	1)CARE BBB+ (02-Feb-15)	1)CARE BBB (22-Jan-14)
3.	Non-Fund Based - LT/ ST-BG/LC	LT/ST	745.00	CARE A; Stable / CARE A1	1)CARE A / CARE A1 (13-Sep-16)	1)CARE A- / CARE A2+ (24-Aug-15)	1)CARE BBB+ / CARE A3+ (02-Feb-15)	1)CARE BBB / CARE A3 (22-Jan-14)

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