Ahluwalia Contracts (India) Limited

April 02, 2018

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long-term Bank Facilities	85	**CARE A; Stable [Single A; Outlook: Stable]**	Reaffirmed
Long/Short-term Bank Facilities	900 (enhanced from Rs.800 crore)	**CARE A; Stable/CARE A1 [Single A; Outlook: Stable/A One]**	Reaffirmed
Total Facilities	**985 (Rs. Nine hundred eighty five crore only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The ratings assigned to the bank facilities of Ahluwalia Contracts (India) Limited (ACIL) continues to take into account comfortable financial risk profile of the company reflected by satisfactory financial performance in FY17 (refers to the period April 1 to March 31) and 9MFY18 (refers to the period April 1 to December 31), comfortable solvency and liquidity position. The ratings also continue to derive strength from ACIL's experience in diversified construction activities, established track record & execution capabilities, comfortable order book position which is now largely towards government contracts with input price escalation clauses and diverse client base.

The ratings, however, continues 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, favourable 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

Key Rating Strengths

Experienced Management: ACIL is professionally managed, headed by Mr. Bikramjit Ahluwalia. He is assisted by a team of 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, hotels, educational institutes, gymnasiums & sport complexes etc.

Satisfactory order book position: The company had a unexecuted order book of around Rs.3,550 crore as on December 31, 2017, (~2.5x of total income of FY17) as compared to Rs.3,553 crore as on March 31, 2017. The company has received total orders aggregating Rs.1262 crore in FY18 so far. Government contracts constitute around 64% of the order book 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 42 projects under execution with a diversified client base which includes leading private and public sector entities.

Comfortable financial risk profile: For FY17, total income from operations increased by 13.66% to Rs.1434.89 crore as against Rs.1262.46 crore in FY16 with improvement in order execution. PBILDT interest coverage ratio improved to 6.89x during FY17 as against 4.94x during FY16 on account of lower interest expense. The overall gearing ratio (including both long-term and short-term mobilization advances as debt) stood at 0.49x as on March 31, 2017 and the same improved as compared from March 31, 2016 (0.85x). Total debt (excluding mobilization advances) stood at Rs.90.12 crore as on March

[1] *Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

31, 2017 as compared to Rs.141.94 crore as on March 31, 2016. For 9MFY18, the company reported total operating income of Rs.1203.45 crore and PAT of Rs.84.44 crore as against total operating income of Rs.961.02 crore and PAT of Rs.66.19 crore for 9MFY17. PBILDT Interest coverage ratio continues to be comfortable at 8.13x during 9MFY18.
Average monthly utilization levels stood moderately comfortable at around 50% for 12 months ending January 2018.

Key Rating Weaknesses

Relatively large receivables: The operating cycle, though slightly improved, continue to remain stretched at 112 days during FY17 as compared to 118 days during FY16. Marginal improvement was primarily due to decrease in collection period to 146 days (150 days in FY16). In absolute terms, total outstanding receivables as on March 31, 2017 stood at around Rs.604.96 crore (including retention money) as against Rs.560.67 crore as on March 31, 2016. As on September 31, 2017, total outstanding receivables stood at around Rs.614.33 crore. Also, to better manage receivables, the company took some inventory of flats from some of the real estate customers to insulate themselves against delay in receipt of payments (outstanding Rs.47.04 crore as on March 31, 2017).

Inherent cyclical trends associated with the construction sector: The construction sector continue to witness cyclical trends due to inherent nature of the industry, though the long-term outlook for construction sector is stable. The construction industry contributes around 8% to India's Gross domestic product (GDP). The sector was marred by varied challenges during the last few years on account of economic slowdown, regulatory changes and policy paralysis which had adversely impacted the financial and liquidity profile of players in the industry. Government of India has undertaken several steps for boosting the infrastructure development and revive the investment cycle. The same has gradually resulted in increased order inflow and movement of passive orders in existing order book. The focus of the government on infrastructure development is expected to translate into business potential for the construction industry in the long-run. Going forward, companies with better financial flexibility would be able to grow at a faster rate by leveraging upon potential opportunities.

Analytical approach: Standalone

Applicable Criteria

[Criteria on assigning Outlook to Credit Ratings]
[Criteria for Short Term Instruments]
[Financial ratios – Non-financial sector]
[CARE's Policy on Default Recognition]

About the Company

Ahluwalia Contracts (India) Limited (ACIL), incorporated on June 2, 1979 is promoted by Mr. Bikramjit Ahluwalia, CMD, 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 & industrial buildings, corporate office complexes, multi-storied housing complexes, township development projects, hospitals, medical colleges, hotels, educational & technical institutes, schools, gymnasiums & sports complexes etc. ACIL has a pan-India presence.

Brief Financials (Rs. crore)	FY16 (A)	FY17 (A)
Total operating income	1262.46	1434.89
PBILDT	173.78	181.47
PAT	84.41	86.00
Overall gearing (times)^	0.85	0.49
Interest coverage (times)	4.94	6.89

A: Audited

^-Including Mobilization Advance as debt

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:

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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
Fund-based - LT-Cash Credit	-	-	-	85.00	CARE A; Stable
Non-fund-based - LT/ ST-BG/LC	-	-	-	900.00	CARE A; Stable / CARE A1

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 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015
1.	Term Loan-Long Term	LT	-	-	1)Withdrawn (26-Jun-17)	1)CARE A; Stable (03-Feb-17) 2)CARE A (13-Sep-16)	1)CARE A- (24-Aug-15)	1)CARE BBB+ (02-Feb-15)
2.	Fund-based - LT-Cash Credit	LT	85.00	CARE A; Stable	1)CARE A; Stable (26-Jun-17)	1)CARE A; Stable (03-Feb-17) 2)CARE A (13-Sep-16)	1)CARE A- (24-Aug-15)	1)CARE BBB+ (02-Feb-15)
3.	Non-fund-based - LT/ ST-BG/LC	LT/ST	900.00	CARE A; Stable / CARE A1	1)CARE A; Stable / CARE A1 (26-Jun-17)	1)CARE A; Stable / CARE A1 (03-Feb-17) 2)CARE A / CARE A1 (13-Sep-16)	1)CARE A- / CARE A2+ (24-Aug-15)	1)CARE BBB+ / CARE A3+ (02-Feb-15)

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