

Ahluwalia Contracts (India) Limited

April 05, 2019

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities	85	CARE A+; Stable (Single A Plus; Outlook: Stable)	Revised from CARE A; Stable (Single A; Outlook: Stable)
Long/Short-term Bank Facilities	1100 (enhanced from Rs.900 crore)	CARE A+; Stable/CARE A1 (Single A Plus; Outlook: Stable/A One)	Revised from CARE A; Stable/CARE A1 (Single A; Outlook: Stable/A One)
Total Facilities	1185 (Rs. Eleven hundred eighty five crore only)		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in ratings assigned to the bank facilities of Ahluwalia Contracts (India) Limited (ACIL) takes into account improved financial performance in FY18 (refers to the period April 1 to March 31) and 9MFY19 (refers to the period April 1 to December 31), build-up of strong and fairly diversified order book position with significant order inflows in FY19 providing medium term revenue visibility, reduced exposure towards real estate contracts from private counterparties and improved liquidity profile & solvency position.

The rating continues to take into account comfortable financial risk profile of the company, ACIL's experience in diversified construction activities, established track record & execution capabilities, order book exposure largely towards government contracts with input price escalation clauses in a majority of orders 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.

Going forward, the ability of the company to manage its working-capital requirements efficiently, timely execution of the projects while maintaining profitability, favourable resolution of past debtors which are currently under arbitration and satisfactory progress on slow moving orders shall be 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.

Improved and diversified order book position, significant order inflows in FY19: The company had unexecuted order book of around Rs.5338 crore as on December 31, 2018, (~3.23x of total income of FY18) as compared to Rs.3074 crore as on March 31, 2018 and Rs.3550 crore as on December 31, 2017. Apart from above mentioned order book, the company has recently won additional orders aggregating Rs.1162 crore in March 2019 taking total order receipt to Rs.4691 crore in FY19. Government contracts constitute around 86% of the order book (as on December 31, 2018) as against the earlier position wherein there was relatively higher dependence on private real estate contracts facing execution challenges and payment issues. Also, the company's order book position is fairly diversified with no single order contributing more than 10% of total revenue during FY18 and 9MFY19. Also, the company has reduced its exposure towards residential/real estate segment (private) and subsequently increased its exposure in other segments like Hospitals, Educational Institutions etc.

Comfortable financial risk profile: For FY18, total income from operations increased to Rs.1651 crore as against Rs.1434 crore in FY17 with improvement in order execution. PBILDT interest coverage ratio improved to 13.81x during FY18 as against 7.05x during FY17 on account of lower interest expense. The overall gearing ratio (including both long-term and short-term mobilization advances as debt) improved to 0.22x as on March 31, 2018 (As on March 31, 2017: 0.48x). Mix of

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

debt as on March 31, 2018 was Rs.12.11 crore of Working Capital debt, Rs.16.77 crore of unsecured loans from promoters and Rs.0.92 crore of term debt (excluding mobilization advances of Rs.104.22 crore).

For 9MFY19, the company reported total operating income of Rs.1271 crore and PAT of Rs.86 crore as against total operating income of Rs.1203 crore and PAT of Rs.84 crore for 9MFY18. PBILDT Interest coverage ratio continues to be comfortable at 11.81x during 9MFY19. Total outstanding debt as on December 31, 2018 (excluding mobilization advances) stood at Rs.50 crore.

Key Rating Weaknesses

Relatively large receivables: The operating cycle, though slightly improved, continue to remain stretched at 103 days during FY18 as compared to 118 days during FY17. Marginal improvement was primarily due to decrease in collection period to 140 days (146 days in FY17 and 150 days in FY16). In absolute terms, total outstanding receivables as on March 31, 2018 stood at around Rs.671 crore (including retention money) as against Rs.598 crore as on March 31, 2017. As on December 31, 2018, total outstanding receivables stood at around Rs.755 crore (including retention money) primarily attributable to increased scale of business. Also, to better manage receivables, the company took some inventory of flats from some of the real estate customers against delayed receivables (outstanding Rs.55 crore as on March 31, 2018). Further, some of the inventory was monetized in 9MFY19 and outstanding inventory as on December 31, 2018 stood at Rs.45 crore.

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 reviving 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 potential opportunities.

Liquidity Analysis: ACIL's liquidity is comfortable as indicated by lower utilization at 23% of fund-based limits during last 12 months period ending January 2019. ACIL has unencumbered cash balance of Rs.75 crore as on March 31, 2018 (excluding Rs.61 crore of Fixed Deposits pledged with banks for Bank Guarantees & Letter of Credit and Earnest Money Deposit deposited with client). Further, as on December 31, 2018, ACIL had unencumbered cash balance of Rs.71 crore as on December 31, 2018.

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](#)

[Rating Methodology - Infrastructure Sector Ratings](#)

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)	FY17 (A)	FY18 (A)
Total operating income	1434.39	1651.46
PBILDT	185.54	215.37
PAT	86.31	115.45
Overall gearing (times)^	0.48	0.22
Interest coverage (times)	7.05	13.81

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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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	-	-	-	1100.00	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 2018-2019	Date(s) & Rating(s) assigned in 2017-2018	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016
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)
2.	Fund-based - LT-Cash Credit	LT	85.00	CARE A+; Stable	1)CARE A; Stable (02-Apr-18)	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)
3.	Non-fund-based - LT/ ST-BG/LC	LT/ST	1100.00	CARE A+; Stable / CARE A1	1)CARE A; Stable / CARE A1 (02-Apr-18)	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)

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