

Ahluwalia Contracts (India) Limited

June 26, 2017

Ratings

Facilities	Amount (Rs. crore)	Rating ¹	Rating Action
Long-term Bank Facilities – Cash Credit	85 (reduced from 130)	CARE A; Stable [Single A; Outlook: Stable]	Reaffirmed
Long-term Bank Facilities – Term Loan	-	-	Withdrawn*
Long/Short-term Bank Facilities	800 (enhanced from 745)	CARE A; Stable/ CARE A1 [Single A; Outlook: Stable/A One]	Reaffirmed
Total Facilities	885 (Rupees Eight Hundred Eighty Five crore only)		

*CARE has withdrawn the rating assigned to the term loan of Ahluwalia Contracts (India) Limited with immediate effect, as the company has fully repaid the term loan in full and there is no amount outstanding under the said loan as on date
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 improved financial performance in FY16 and FY17 (refers to the period April 1 to March 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, 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

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 the 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: The company had a unexecuted order book of Rs.3,553 crore as on March 31, 2017, (about 2.5x of total income of FY17) as compared to Rs.3,607 crore as on March 31, 2016. Though, the company's order book position is comfortable, the order inflow has been muted in the past few months. Government contracts constitute around 68.3% 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 46 projects under execution with a diversified client base which includes leading private and public sector entities.

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

Comfortable financial risk profile: For FY17 (brief audited results), total income from operations increased by 13.66% to Rs.1434.96 crore as against Rs.1262.46 crore in FY16 with improvement in order execution. PBILDT interest coverage ratio improved to 6.79x during FY17 as against 4.94x during FY16 on account of lower interest expense. The overall gearing ratio (including long-term mobilization advances as debt) stood at 0.53x as on March 31, 2016 and the same improved as compared from March 31, 2015 (0.65x). Total debt (excluding mobilization advances) stood at Rs.89.97 crore as on March 31, 2017 as compared to Rs.133.01 crore as on March 31, 2016.

Comfortable liquidity position: The liquidity position of the company has also improved owing to satisfactory progress in projects leading to higher cash accruals. The same is reflected from the fact that the dependence on external WC bank borrowings has been reducing leading to reduction in the debt levels of the company.

Key Rating Weaknesses

Relatively large receivables: The operating cycle, though continue to remain elongated, stood at 118 days during FY16 as compared to 120 days during FY16. Marginal improvement was primarily due to decrease in collection period to 150 days (162 days in FY15).

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.

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	-	-	-	0.00	Withdrawn
Fund-based - LT-Cash Credit	-	-	-	85.00	CARE A; Stable
Non-fund-based - LT/ ST-BG/LC	-	-	-	800.00	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 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	-	-	-	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 (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	800.00	CARE A; Stable / CARE A1	-	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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