

**Press Release****Ario Infrastructure Private Limited****May 9, 2019****Ratings**

<b>Sl. No.</b>	<b>Instrument/Facility</b>	<b>Amount (Rs. Crores)</b>	<b>Rating Assigned</b>
1.	Long Term Fund Based Limits	10.00	IVR B+/Stable Outlook (IVR Single B Plus with Stable Outlook)
2.	Long Term/Short Term Non-Fund Based Limits	18.00	IVR B+/Stable Outlook (IVR Single B Plus with Stable Outlook)/ IVR A4 (IVR A Four)
	<b>Total</b>	<b>28.00</b>	

**Details of Facilities are in Annexure 1****Detailed Rationale**

The rating derives strength from experience promoter and satisfactory order book. However, the rating is constrained by small scale of operation, high gearing and moderate debt coverage indicators and working capital intensive nature of operation. Scale of operation, timely execution of order book and effective working capital management are the key rating sensitivities.

**List of key rating drivers with detailed description****Key Rating Strengths****Experienced promoter**

The promoter of the company has long experience in the field of onshore oil and gas. Mr. Ashok Sarkar (Director) is a chemical engineer and has an experience of over two decades in the industry. He is ably assisted by a group of experienced professionals in managing the day to day operation of the company.

**Satisfactory Order Book**

The company has an outstanding unexecuted order book of Rs.62.64 crore as on February 28, 2019, comprising of 10 projects to be executed over a period of 18-24 months. The order book consists of piping work, pipeline construction and underground steel gas pipelines primarily from GAIL, IOCL and Gujarat Gas Limited.

## **Key Rating Weakness**

### **Small scale of operation**

The scale of operation of the company continues to remain small in spite of the company being in business for over four decades. Also, the financial performance in 9MFY19 has been modest.

### **High gearing and moderate debt coverage indicators**

The overall gearing of the company has generally been high. The long-term debt-equity ratio of the company has been on the higher side as well as on the last three account closing days. Also, the TOL/TNW is high at greater than 10x as on the last three account closing days. Other debt coverage indicators of the company have also been moderate over the years.

### **Working capital intensive nature of operation**

Operations of the company are working capital intensive in nature. The debtor's days of the company are generally high over the last three years. Despite its reputed clientele, the company is not able to recover its dues on time resulting in deterioration in debtor's days in FY18. As a result of the same, the company is stretching its creditor's days. The inventory days are moderate as the company does not hold any significant inventory.

## **Analytical Approach & Applicable Criteria**

Standalone

Rating Methodology for Infrastructure Companies

Financial Ratios & Interpretation (Non-Financial Sector)

Criteria on Default Recognition and Post-Default Curing Period

## **Liquidity**

The company is earning a modest level GCA and the same is expected to increase gradually with increase in scale of operation and level of margin. Promoters have financially supported the operation of the business by way of unsecured loans in the past and the same is expected going forward. The average utilization of the working capital limits was high. All these factors indicate a low to moderate degree of liquidity support to the company in meeting its debt obligations.

## About the Company

Ario Infrastructure Private Limited (AIPL) was initially established as a partnership firm by the name of M/s. Ario Brothers in 1976 by Mr. Ajit Sarkar and his brothers. The constitution of the firm was changed to a private limited company in 2009. AIPL is an onshore construction company involved in the city gas distribution and oil distribution networks. The company carries out major projects of cross country pipeline, city gas distribution network, plant piping and equipment erection. At present, Mr. Ashok Sarkar (son of Mr. Ajit Sarkar) is the Director of the company. His wife, Mrs. Kalpana Sarkar is also a director in the company. The company's office is situated in Vadodara, Gujarat. The company has executed projects in the past for reputed PSU's like ONGC, IOCL, GAIL etc.

## Financials (Standalone)

(Rs. crores)

For the year ended* / As On	31-03-2017 (Audited)	31-03-2018 (Audited)
Total Operating Income	14.39	17.00
EBITDA	2.47	2.58
PAT	-0.34	0.39
Total Debt	14.11	10.63
Tangible Networth	2.99	3.30
EBITDA Margin (%)	17.17	15.18
PAT Margin (%)	NM	2.32
Overall Gearing Ratio (x)	4.72	3.22

\*Classification as per Infomerics' standards; NM- Not meaningful

**Status of non-cooperation with previous CRA:** CARE Ratings which has earlier rated the company, has classified it as “Issuer Not Cooperating” category due to non-submission of information as per Press Release dated June 13, 2018.

**Any other information: N.A**

**Rating History for last three years:**

Sl. No.	Name of Instrument/ Facilities	Current Rating (Year 2019-20)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18	Date(s) & Rating(s) assigned in 2016-17
1.	Fund Based Limits – CC cum LC	Long Term	10.00	IVR B+/ Stable Outlook	--	--	--
2.	Non Fund Based Limits - BG	Long Term/ Short Term	18.00	IVR B+/ Stable Outlook/IVR A4	--	--	--

**Note on complexity levels of the rated instrument:** Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at [www.infomerics.com](http://www.infomerics.com).

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**About Infomerics:**

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. Company’s long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

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**Annexure 1: Details of Facilities**

<b>Name of Facility</b>	<b>Date of Issuance</b>	<b>Coupon Rate/ IRR</b>	<b>Maturity Date</b>	<b>Size of Facility (Rs. Crore)</b>	<b>Rating Assigned/ Outlook</b>
Long Term Fund Based Limits – Cash Credit cum LC	--	--	--	10.00	IVR B+/Stable Outlook
Long Term/Short Term Non-Fund Based Limits – Bank Guarantee	--	--	--	18.00	IVR B+/Stable Outlook/IVR A4