



Press Release

Arcons Infrastructure & Construction Private Limited (AICPL)

January 06, 2023

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Fund Based Bank Facilities – Cash Credit	80.00	IVR BBB/ Stable (IVR Triple B with Stable Outlook)	Revised	Simple
Short Term Non-Fund Based Bank Facilities – BGs	105.00	IVR A3+ (IVR A Three Plus)	Revised	Simple
Total	185.00 (Rupees One Hundred & Eighty-Five Crore)			

Details of Facilities are in Annexure 1

Detailed Rationale

The rating upgrade of Arcons Infrastructure & Construction Private Limited (AICPL) considers the improvement in operating performance and healthy order book of the company during FY2022 as well as 6MFY22. Further rating continues to derive comfort from long track record & established presence in the construction sector, strong order book position reflecting satisfactory medium-term revenue visibility and comfortable & improving capital structure with healthy debt protection metrics. However, these rating strengths remain constrained by Geographical and client Concentration Risk, Tender driven nature of business in highly fragmented & competitive construction and contract execution risk.

Key Rating Sensitivities:

Upward Factors

- Growth in scale of operations with improvement in profitability
- Manage working capital requirements efficiently with improvement in liquidity position.

Downward Factors

- Any deterioration in debt protection metrics and/or liquidity profile.
- Moderation in the capital structure with deterioration in overall gearing.



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- Moderation in scale of operations or profitability impacting the liquidity profile.

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Long track record & established presence in the construction sector:

Arcons Infrastructures & Constructions Private Limited was founded in 1973 as Agrawal Construction Company a partnership firm and later in 2006 it was converted into private limited company. Further, AICPL is managed by 2nd generation of family i.e. Er. Rajesh Agrawal who has joined AICPL in the year 1981 after completing his graduation in Civil Engineering. The directors are well supported by a team of experienced and qualified professionals in day-to-day operations.

Strong order book position reflecting satisfactory medium-term revenue visibility

The order book position of company is Rs.1,718 Crores out of which unexecuted work is Rs.1,073 Crores as on December, 2022 which is to be executed with in next 1-2 years, thereby providing the Company with near to medium term revenue visibility.

Comfortable and improving capital structure with healthy debt protection metrics

Considering the working capital intensive nature of operation, the company has a comfortable capital structure with overall gearing ratio being 0.72x as on March 31, 2022. The total debt comprises of long-term debt amounting to Rs.37.99 crore taken for purchase of construction equipment and the balance is fund based working capital. Further the company's debt protections parameters are also comfortable, marked by interest coverage ratio of 6.62x as on March 31, 2022.

Key Rating Weaknesses

Geographical and client Concentration Risk

The company's geographic-concentration risk remains moderately high as it executes more than 70% of projects from the states of Madhya Pradesh and also top 5 clients share around 97% in FY22 thus posing client concentration risk too. However, company has started expanding its business and has got orders from State of Karnataka and Maharashtra.



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Tender driven nature of business in highly fragmented & competitive construction sector

Execution risks for newly awarded projects in a timely manner will be key to achieving growth in revenues and profits. Business certainty is dependent on the company's ability to successfully bid for the tenders as entire business is tender based. The domestic infrastructure/construction sector is highly fragmented marked by presence of many players with varied statures & capabilities. Boom in the infrastructure sector, a few years back, resulted in increase in the number of players. While the competition is perceived to be healthy, significant price cut by few players during the bidding process is a matter of serious concern for the users with respect to quality of output.

Contract execution risk

The Company is exposed to project execution risk of the pending order book, owing to the uncertainties in the EPC business. The ability of the Company to execute the projects without delay would be a key rating monitorable.

Analytical Approach: Standalone Approach

Applicable Criteria:

[Rating Methodology for Infrastructure Companies](#)

[Financial Ratios & Interpretation \(Non- Financial Sector\)](#)

[Criteria on Rating Outlook](#)

Liquidity – Adequate

The Company has been earning a comfortable level of GCA for the last few years and the same is expected to increase further with increase in scale of operations. The company maintains sufficient cash and bank balance to meet its liquidity requirements. As on March 31, 2022, the company had cash & balance of Rs6.48 Crore. Working capital utilisation of the company remained moderate at ~72.58% in past 12 months ended Nov 2022. Overall liquidity position is adequate.



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About the Company

Arcons Infrastructures & Constructions Private Limited (AICPL) converted from partnership firm to Private Limited Company in 2006. The Company was formally known as Agrawal Construction Company (ACC) which was formed in the Year 1973. AICPL is engaged in the business of construction of Road, Buildings, Bridges and Other Civil Engineering projects. The company is registered under unlimited class with various departments in Government and Semi Government authorities of Madhya Pradesh, Chhattisgarh, and Maharashtra.

Financials (Standalone):

INR in Crore		
For the year ended* As on	31-03-2021	31-03-2022
	Audited	Audited
Total Operating Income	135.75	189.28
EBITDA	19.81	27.21
PAT	7.52	11.78
Total Debt	31.72	50.22
Tangible Net Worth	58.21	65.61
EBITDA Margin (%)	14.59	14.37
PAT Margin (%)	5.52	6.22
Overall Gearing Ratio (x)	0.54	0.72

* Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Not Applicable

Any other information: Not Applicable

Rating History for last three years:

Sr. No.	Name of Instrument/Facility	Current Ratings (Year 2022-23)	Rating History for the past 3 years
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		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2021-22 (Dated: Oct 08, 2021)	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Fund Based Facility – Cash Credit	Long Term	80.00	IVR BBB/ Stable	IVR BBB-/ Stable	-	-
2.	Non Fund Based Facility – BGs	Short Term	105.00	IVR BBB/ Stable	IVR BBB-/ Stable	-	-

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About Infomerics:

Infomerics Valuation and Rating Private Limited (Infomerics) was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks.

Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

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Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	80.00	IVR BBB/ Stable
Bank Guarantee	-	-	-	105.00	IVR A3+

Annexure 2: List of companies considered for consolidated analysis: Not Applicable.

Annexure 3: Facility wise lender details

<https://www.infomerics.com/admin/prfiles/AICPL-JAN23.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable

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.