



Press Release

Aaryavart Infrastructure Private Limited

January 17, 2024

Ratings

Instrument/ Facility	Amount (Rs. Crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	11.50 (including proposed limit of 2.50)	IVR BB/ Stable (IVR Double B with Stable Outlook)	Assigned	Simple
Short Term Bank Facilities	13.50 (including proposed limit of 4.50)	IVR A4 (IVR A Four)	Assigned	Simple
Total	25.00			

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of Aaryavart Infrastructure Private Limited (AIPL) continues to derive comfort from its experienced promoters with long track record, proven project execution capability, reputed clientele, moderate order book giving visibility to revenue in the near to medium term and continuous growth in operation. These rating strengths continues to remain partially offset by its small scale of operation, susceptibility of profitability to volatile input prices, presence in a highly competitive industry and tender driven nature of the business, geographical concentration risk, leveraged capital structure with moderate debt protection metrics and working capital intensive nature of business.

Rating Sensitivities

Upward factors

- Growth in scale of operations on a sustained basis and consequent improvement in profitability
- Diversification in regional presence
- Improvement in the capital structure with improvement in overall gearing ratio to below 2x with improvement in debt protection metrics marked by improvement in interest coverage ratio to over 2x
- Improvement in working capital management leading to improvement in liquidity marked by improvement in operating cycle



Press Release

Downward Factors

- Moderation in scale of operations and/or profitability impacting the gross cash accruals on a sustained basis
- Moderation in the capital structure with moderation in the overall gearing to over 3x and/or moderation in debt protection metrics marked by moderation in interest coverage ratio to below 1.5x
- Increase in working capital intensity impacting the liquidity

Detailed Description of Key Rating Drivers

Key Rating Strengths

- **Experienced promoters and long track record**

Mr. Deep Gadhecha Sureshbhai, director and an MBA from IIM Ahmedabad, has about a decade of experience in the construction industry. This apart, other director, Mr. Shailesh Kumar Jashvantray Bhatt, is also having over a decade long experience in the similar line of business. The operation of the company has started from 2002, thus it is enjoying a long and track record of operation.

- **Proven project execution capability**

AIPL has successfully completed many projects in and around Gujarat for various government departments and Non-government organisations. Thus, the company is enjoying a proven track record. The repeat orders received from its clientele validate its construction capabilities.

- **Reputed clientele**

The company is designated as Class-AA Contractor under Government of Gujarat and enlisted contractor under Western Railways and participates in Government tenders and engaged in various civil construction works in and around Gujarat.

- **Moderate order book giving visibility to revenue in the near to medium term**

The company has order in hand of ~Rs.104 crore as on Aug 31, 2023, which is ~2.49x of its FY23 turnover. The orders are expected to be completed within a year, indicating a satisfactory near to medium term revenue visibility.

- **Continuous growth in operation**

Operation of the company has been growing continuously during last three financial years where Total Operating Income (TOI) has been growing at a CAGR of 35% during FY21 to



Press Release

FY23 on the back of higher utilization of bank borrowing. Operating profit has also been increased in tandem with operating income and ended at Rs.5.75 crore in FY23. During 9MFY24, the company has already earned a TOI of Rs.37.52 crore.

Key Rating Weaknesses

- **Small scale of operation**

The scale of operation of the company remained small and erratic over the past three years and the total operating income of the company stood at ~Rs.42 crore with a PAT of Rs. 0.50 crore in FY23 with net-worth of ~Rs.14 crore as on March 31, 2023. The small scale of operations restricts the financial flexibility of the company to an extent. However, notwithstanding its small scale of operations the profitability of the company remained satisfactory over the years.

- **Susceptibility of profitability to volatile input prices**

Major raw materials used in construction activities are steel and cement, pipes etc. which are usually sourced from large players at proximate distances. The input prices are generally volatile and consequently the profitability remains susceptible to fluctuation in input prices. However, presences of escalation clause in most of the contracts imparts comfort to an extent.

- **Presence in a highly competitive industry and tender driven nature of the business**

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 ability to successfully bid for the tenders as entire business is tender based. The domestic infrastructure/construction sector is highly fragmented with presence of many players with varied statures & capabilities. Presence of many players restricts the pricing ability of the company to an extent.

- **Geographical concentration risk**

The company participates in tender and executes its projects service to various departments only in the state of Gujarat. Hence, geographical diversification is limited.

- **Leveraged capital structure with moderate debt protection metrics**

The capital structure of the company remained leveraged as on the past three account closing dates. Leverage ratios have further deteriorated as on March 31, 2023, on account of availment of long term loans for regular capex on construction equipment and higher utilization of bank



Press Release

borrowing to fund the escalated scale of operation. Debt protection metrics of the company remained moderate over the years where interest coverage had declined to 1.67x in FY23 from 1.69x in FY22 on account of higher increase in interest expense over increase in operating profit. Total debt to GCA was high at 28.74x as on March 31, 2023.

- **Working capital intensive nature of business**

The operation of the company is highly working capital intensive marked by its long operating cycle due to its high collection period and high average work in progress days. Further, blockage of funds in retention money which released only after the completion of certain stage of work also fueled the high working capital requirements. The average collection period also remained stretched mainly due to procedural delays in realizing payment from Government departments. The average working capital utilization is high at around 98% during last 12 months ending in September 2023, which imparts low liquidity buffer.

Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Infrastructure Companies](#)

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

[Criteria for assigning rating outlook](#)

Liquidity: Adequate

Liquidity position of AIPL is adequate marked by expected satisfactory cash accruals of ~Rs.3.9 to 5 crore in projected period of FY24 to FY26 against repayment obligations of around ~Rs.2 crore in the same period. The liquidity also receives comfort from no major capex plan on part of the AIPL and its adequate available bank guarantee limit. Further, the standalone liquidity position of the company is restricted due to its working capital-intensive nature of operations with long operating cycle.

About the Company

Aaryavart Infrastructure Private Limited (AIPL) incorporated during 2002 in Ahmedabad to initiate civil construction business. The company is designated as Class-AA Contractor under Government of Gujarat since 2009 and enlisted contractor with Western Railways and participates in Government tenders and engaged in various civil construction works in and



Press Release

around Gujarat. The company largely works on earth work, minor bridges, water supply pipelines and connectivity under regional water supply scheme, approach roads, erection, levelling, maintenance, and other related works. This apart, the company also into construction material trading business and manufactures Ready Mix Concreate (RMC) and markets the same under brand name of ICON RMC. Furthermore, the company also provides Project Management Consultancy (PMC) services.

Currently day to day affairs of the company are looked after by Mr. Deep Gadhecha Sureshbhai, Director, along with other director Mr. Shailesh Kumar Jashvantray Bhatt and a team of experienced personnel.

Financials (Standalone):

(Rs. crore)

For the year ended* / As On	31-03-2022	31-03-2023
	Audited	Audited
Total Income	28.07	42.84
EBITDA	4.31	5.75
PAT	0.88	0.50
Total Debt	43.30	48.91
Tangible Net worth	13.42	13.93
EBITDA Margin (%)	15.59	13.75
PAT Margin (%)	3.14	1.17
Overall Gearing Ratio (x)	3.23	3.51

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Nil

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
1	Cash Credit (including proposed limit of 2.50)	Long Term	11.50	IVR BB/ Stable	-	-	-
3	Bank Guarantee	Short Term	13.50	IVR A4	-	-	-



Press Release

Sr. No.	Name of Instrument/ Facilities	Current Rating (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21
	(including proposed limit of 4.50)						



Press Release

Name and Contact Details of the Rating Analyst:

Name: Sanmoy Lahiri Tel: (033)- 46022266 Email: slahiri@infomerics.com	Name: Sandeep Khaitan Tel: (033)- 46022266 Email: sandeep.khaitan@infomerics.com
--	--

About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

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

Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary.

For more information visit www.infomerics.com

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information, which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.



Press Release

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	-	-	-	9.00	IVR BB/ Stable
Proposed Cash Credit	-	-	-	2.50	IVR BB/ Stable
Bank Guarantee	-	-	-	9.00	IVR A4
Proposed Bank Guarantee	-	-	-	4.50	IVR A4

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

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-Aaryavart-jan24.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.