Aaryavart Infrastructure Private Limited

January 03, 2025

Ratings

Facility	Amount (Rs. crore)	Current Ratings	Previous Ratings	Rating Action	Complexity Indicator
Long-Term Bank Facilities	11.50	IVR BB/ Stable (IVR double B with Stable outlook)	IVR BB/ Stable (IVR double B with Stable outlook)	Rating Reaffirmed	**Simple**
Short-Term Bank Facilities	13.50 (including proposed limit of 2.00)	IVR A4 (IVR A four)	IVR A4 (IVR A four)	Rating Reaffirmed	**Simple**
Total	**25.00 (INR Twenty-five crore only)**				

Details of Facilities/Instruments are in Annexure 1. Facility wise lender details are at Annexure 2. Detailed explanation of covenants is at Annexure 3.

Detailed Rationale

The reaffirmation of the ratings assigned to the bank facilities of Aaryavart Infrastructure Private Limited (AIPL) continues to derive comfort from its experienced promoters and 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 be 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.

The long-term rating outlook is Stable on the back of moderate business and financial risk profile, driven by experienced promoters and favourable demand outlook in the overall industry.

Key Rating Sensitivities:

Upward Factors

- Growth in scale of business with improvement in profitability metrics thereby leading to improvement in cash accruals on a sustained basis.
- Diversification in regional presence
- Improvement in capital structure coupled with improvement in overall gearing

- Improvement in working capital management leading to improvement in liquidity marked by improvement in operating cycle.

Downward Factors

- Dip in operating income and/or profitability impacting the debt coverage indicators with moderation in the interest coverage ratio to below 1.5x.
- Moderation in the capital structure with deterioration in the overall gearing ratio
- Increase in working capital intensity impacting the liquidity.

List of Key Rating Drivers with Detailed Description

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.293 crore as on November 30, 2024, which is ~5.38x of its FY24 (refers to period April 1st, 2023, to March 31st, 2024) turnover. The orders are expected to be completed in the coming 12-18 months, indicating a satisfactory near to medium term revenue visibility.
- **Continuous growth in operation**

The total operating income grew at a y-o-y growth of ~31% and stood at Rs. 55.06 crore in FY24 from Rs. 41.93 crore in FY23 (refers to period April 1st, 2022, to March 31st, 2023) on the back of increase in civil construction orders execution backed by higher Government spending on infrastructure. However, absolute EBITDA has declined in FY24 on account of advance execution of few works where certification and bills yet to be raised. PAT level of the company has improved to Rs. 1.95 crore in FY24 as against Rs. 0.64 crore in FY23, backed by decrease in capital charges of the company. During 8MFY24, the company has already earned a TOI of ~Rs.34 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.55 crore with a PAT of Rs. 1.95 crore in FY24 with net-worth of ~Rs.15 crore as on March 31, 2024. The small scale of operations restricts the financial flexibility of the company to an extent.
- **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. Net worth of the company was at Rs. 15.31 crore as on March 31, 2024. Further, a long pending advance to suppliers about a decade of Rs.1.99 crore, which is yet to be realised, is adjusted with net worth and the adjusted net worth comes at Rs.13.32 crore as on March 31, 2024, resulted in adjusted overall gearing ratio of 5.01x. Leverage ratio has deteriorated from 4.10x as on March 31, 2023 on account of availment of long-term loans for regular capex of construction equipment and higher utilisation of bank borrowing for working capital needs. Debt protection metrics of the company remained moderate over the years where interest coverage had improved to 1.83x in FY24 from 1.58x in FY23 on the back of decrease in finance charges. Total debt to NCA was high at 24.57x as on March 31, 2024.

- **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 fuelled the high working capital requirements. The average collection period also remined 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 October 2024, 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.
Policy on Default Recognition
Complexity Level of Rated Instruments/Facilities

Liquidity – Adequate

AIPL has earned a gross cash accrual of Rs. 2.72 crore in FY24. Further the company is expected to earn a gross cash accrual of around ~Rs. 4 to Rs. 7 crore as against its debt repayment obligations of around ~Rs. 1 to 4 crore during FY25-27. Accordingly, the liquidity position of the company is expected to remain adequate in the near to medium term. However, average cash credit utilization of the company remained high at ~98% during the past 12 months ended October 2024 indicating low liquidity buffer.

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 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 is 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*	31-03-2023	31-03-2024
	Audited	Audited
Total Operating Income	41.93	55.06
EBITDA	5.89	4.88
PAT	0.64	1.95
Total Debt	48.91	66.82
Adjusted Tangible Net Worth	11.94	13.32
EBITDA Margin (%)	14.04	8.86
PAT Margin (%)	1.49	3.49
Adjusted Overall Gearing Ratio (x)	4.10	5.01
Interest Coverage (x)	1.58	1.83

* *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 Security/ Facilities	Current Ratings (Year 2024-25)			Rating History for the past 3 years		
		Type (Long Term/Short Term)	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2023-24	Date(s) & Rating(s) assigned in 2022-23	Date(s) & Rating(s) assigned in 2021-22
					(Jan. 17, 2024)		
1.	Cash Credit	Long-Term	11.50	IVR BB/ Stable	IVR BB/ Stable	-	-
2.	Bank Guarantee (including proposed limit of 2.00)	Short-Term	13.50	IVR A4	IVR A4	-	-

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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).

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Annexure 1: Instrument/Facility Details:

Name of Facility/ /Security	ISIN	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Cash Credit	-	-	-	-	11.50	IVR BB/ Stable
Bank Guarantee	-	-	-	-	11.50	IVR A4
Proposed Bank Guarantee	-	-	-	-	2.00	IVR A4

Annexure 2: Facility wise lender details:
https://www.infomerics.com/admin/prfiles/len-aaryavart-jan25.pdf

Annexure 3: Detailed explanation of covenants of the rated Security/facilities: Not Applicable

Annexure 4: List of companies considered for consolidated/Combined analysis: 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.