



Press Release

Ajab Singh and Company

March 19, 2024

Ratings

Instrument Facility /	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Bank Facilities	20.50	IVR BB-/ Stable (IVR Double B minus with Stable Outlook)	Assigned	Simple
Short Term Bank Facilities	25.88	IVR A4 (IVR A Four)	Assigned	Simple
Proposed Short Term Bank Facilities	7.62	IVR A4 (IVR A Four)	Assigned	Simple
Total	54.00	(Rupees fifty-four crore only)		

Details of Facilities are in Annexure 1

Detailed Rationale

Infomerics Valuation and Rating Private Limited (IVR) has assigned long term rating of IVR BB- with a Stable outlook and short-term rating of A4 for the bank loan facilities of Ajab Singh and Company.

The rating assigned to the bank facilities of Ajab Singh and Company draws comfort from experienced partners and management team, stable demand outlook due to the thrust of Government on infrastructure development. The ratings further derive comfort from the healthy order book position and improvement in scale of operations albeit moderation in profitability margins.

However, these rating strengths are partially offset by susceptibility of operating margins to volatile input price coupled with moderate capital structure and debt protection metrics. The ratings also remain constrained by risk of geographical concentration along with stiff competition and the inherent risk arising out of partnership nature of concern.



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The 'Stable' outlook indicates a low likelihood of rating change over the medium term. IVR believes that Ajab Singh and Company will continue to benefit from its operational track record in the business and regular inflow of orders.

IVR has principally relied on the standalone audited financial results of Ajab Singh and Company up to 31 March 2023, and projected financials for FY2024-FY2026.

Key Rating Sensitivities:

Upward Factors

- Improvement in revenue leading to improvement in profitability margins and debt protection metrics.
- Sustenance of the capital structure with further improvement in liquidity.

Downward Factors

- Any decline in revenue and profitability leading to deterioration in debt protection metrics.
- Moderation in liquidity position with stretch in operating cycle

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced Partners and management team

The firm is managed by experienced and professional partners who have long experience in the industry. They have diverse domain expertise which enabled them to establish relationships with customers and suppliers. The partners are also supported by an experienced management team.

Stable demand outlook due to thrust of Government on infrastructure development.

The Government of India has been undertaking several steps for boosting the infrastructure development and reviving the investment cycle in the segment, which



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was facing a slowdown since past couple of years. The same is expected to drive growth opportunities, subject to availability of adequate working capital. The thrust of the Government on infrastructure development is expected to augur well for construction players with low leverage and demonstrated execution capabilities, in the medium term.

Healthy Order Book

Total unexecuted order book as on 31.12.2023 is Rs. 366.30 Cr. i.e., 4.18 times of the turnover of FY2023. They are expected to complete these orders by the end of the FY2024. The present order book is skewed towards water and sewerage projects and other civil engineering projects.

Improved scale of operations with moderation in profitability margins

TOI of Ajab Singh and Company increased from Rs. 33.08 Crore in FY22 to Rs. 87.55 Crore in FY23. The firm witnessed an increase in its operating income due to the higher flow of orders and quicker execution of the same. EBITDA increased from Rs. 5.61 Crore in FY22 to Rs. 10.07 Crore in FY23. PAT also increased from Rs. 1.26 Crore in FY22 to Rs. 3.36 Crore in FY23. Gross Cash Accrual of the firm increased from Rs. 1.83 Crore in FY22 to Rs.3.88 Crore in FY23. The profitability margins of the firm, like EBITDA margin moderated from 16.97% in FY22 to 11.50% in FY23 due to significant increase in administration expenses. PAT Margin also moderated from 3.79% in FY22 to 3.80% in FY23.

Key Rating Weaknesses

Susceptibility of operating margin to volatile input price

Considering the long gestation period its profitability remains susceptible to fluctuations in the input prices. However, presence of built-in price escalation clause



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in majority of the present orders on hand with an execution timeline beyond 12 months mitigates this risk to an extent.

Moderate Capital Structure and debt protection metrics

The Overall Gearing ratio moderated from 1.31 times as on March 31, 2022, to 2.89 times as on March 31, 2023. This moderation is on account of increase in bank borrowings. TOL/TNW also moderated from 1.59 times as on March 31, 2022 to 3.58 times as on March 31, 2023.

Interest Coverage Ratio stood same and it was of 2.15 times in FY23 (FY 22: 2.15 times). DSCR improved and it stood at 1.23 times in FY 23, as against 0.91 times in FY22.

Total Debt to GCA also moderated and stood at 15.84 years in FY23 against 15.76 years in FY22, and Tangible Net Worth also moderated from Rs. 22.14 Cr. As on 31st March 2022 to Rs. 21.29 Cr. as on 31st March 2023.

Geographical concentration risk with stiff Competition and tender based contract awarding system

The firm pre-dominantly operates in Delhi and is a Govt. Contractor mainly for Delhi Jal Board projects indicating geographical concentration risk where it competes with other contractors while bidding and securing orders for construction works. The presence of a tender based contract awarding system along with intense competition also restricts pricing flexibility.



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Inherent Risk of Partnership Concern

Being a partnership concern, the firm is exposed to inherent risk of the partner's capital being withdrawn at any time and firm being dissolved upon the demise/retirement/insolvency of/ among the partners.



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Analytical Approach: Standalone

Applicable Criteria:

[Rating Methodology for Infrastructure Companies](#)

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

[Criteria of assigning rating outlook](#)

Liquidity – Stretched

The liquidity position of the firm is expected to remain stretched on the expectation of moderate cushion in cash accruals vis-à-vis debt repayment obligations in the next 3 years. The monthly average utilisation of fund-based limits by Ajab Singh and Company stood at 70.85% for 12 months period ended January 2024. Ajab Singh's operating cycle was of 398 days in FY22 and was of 129 days in FY23. The current ratio moderated and stood at 1.23x as on March 31, 2023 as against 4.07x as on March 31, 2022. The Quick ratio also moderated and stood at 0.64x as on March 31, 2023, as against 2.17x as on March 31, 2022.

About the Company

New Delhi based Ajab Singh and Company (ASC) was incorporated in 2009 as a partnership firm. The firm is currently being managed by Mr. Ajab Singh, Mr. Deepak Choudhary and Mr. Harish Choudhary. The firm undertakes the construction work for residential accommodation administrative and public health i.e., water & sewerage projects, sewer line and other civil engineering projects in the National Capital region.



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Financials (Standalone):

(Rs. Crore)

For the year ended* / as on	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	33.08	87.55
EBITDA	5.61	10.07
PAT	1.26	3.36
Total Debt	28.89	61.43
Tangible Net Worth	22.14	21.29
Ratios		
EBITDA Margin (%)	16.97	11.50
PAT Margin (%)	3.79	3.80
Overall Gearing Ratio (x)	1.31	2.89

**Classification as per Infomerics` standards*

Status of non-cooperation with previous CRA: None

Any other information: Not Applicable

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (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 2021-2022	Date(s) & Rating(s) assigned in 2020-2021
1.	Cash Credit	Long Term	20.50	IVR BB- / Stable	--	--	--
2.	Bank Guarantee	Short Term	25.88	IVR A4	--	--	--
3.	Proposed Short Term	Short Term	7.62	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). 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

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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	-	-	-	20.50	IVR BB-/ Stable
Bank Guarantee	-	-	-	25.88	IVR A4
Proposed Short Term	-	-	-	7.62	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-AjabSingh-mar24.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.