



## Press Release

### Arcons Infrastructures & Constructions Private Limited (AICPL)

October 08, 2021

#### Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action
Long Term Bank Facilities – Cash Credit	18.00	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Assigned
Long Term Bank Facilities – Proposed Cash Credit	27.00	IVR BBB-/ Stable (IVR Triple B Minus with Stable Outlook)	Assigned
Short Term Bank Facilities – Bank Guarantees	76.00	IVR A3 (IVR A Three)	Assigned
Short Term Bank Facilities –Proposed Bank Guarantees	64.00	IVR A3 (IVR A Three)	Assigned
<b>Total</b>	<b>185.00</b> <b>(One Hundred &amp; Eighty-Five Crore)</b>		

**Details of facilities are in Annexure 1**

#### Detailed Rationale

The rating assigned to the bank facilities of Arcons Infrastructures & Constructions Private Limited (AICPL) derives strength from the long track record & established presence in the construction sector, strong order book position reflecting satisfactory medium-term revenue visibility and comfortable capital structure with healthy debt protection metrics. The rating is however constrained by geographical and client concentration risk, tender driven nature of business in highly fragmented & competitive construction sector and Contract execution risk.

**Key Rating Sensitivities:**



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### **Upward Factor:**

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

### **Downward Factor:**

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

### **Detailed Description of Key Rating Drivers**

#### **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.1274.35 Crores out of which unexecuted work is Rs.1148.46 Crores as on July 30, 2021 which is to be executed with in next 2-3 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 0.54x as on March 31, 2021 (Provisional). The total debt comprises of long-term debt amounting to Rs. 13.36 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 6.04x as on March 31, 2021 (Provisional).



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### **Key Rating Weaknesses**

#### **Geographical and client Concentration Risk**

The company's geographic-concentration risk remains moderately high in FY21 as it executed more than 90% of projects from the states of Madhya Pradesh and also top 5 clients share around 98% in FY21 thus posing client concentration risk too. However, company has started expanding its business and has got orders from State of Odisha and Karnataka, which will minimize the geographical concentration risk.

#### **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

#### **Applicable Criteria:**

Rating Methodology for Infrastructure Companies

Financial Ratios & Interpretation (Non-Financial Sector)



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### **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, 2021, the company had cash & balance of Rs1.08 Crore. Working capital utilisation of the company remained moderate at ~86.87% in past 12 months ended June 2021. Overall liquidity position is adequate.

### **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)**

For the year ended* As on	INR in Crore	
	31-03-2020	31-03-2021
	Audited	Provisional
Total Operating Income	135.44	135.75
EBITDA	19.74	19.81
PAT	7.53	7.60
Total Debt	45.94	31.72
Tangible Net Worth	50.74	58.35
EBITDA Margin (%)	14.57	14.59
PAT Margin (%)	5.56	5.58
Overall Gearing Ratio (x)	0.90	0.54

\* Classification as per Infomerics' standards

**Details of Non-Co-operation with any other CRA: Nil**

**Any other information: N.A.**



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### Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Ratings (Year 2021-22)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19
1.	Fund Based Facility – Cash Credit	Long Term	18.00	IVR BBB-/ Stable	-	-	-
2.	Fund Based Facility – Proposed Cash Credit	Long Term	27.00	IVR BBB-/ Stable	-	-	-
3.	Short Term Bank Facilities – Bank Guarantees	Short Term	76.00	IVR A3	-	-	-
4.	Short Term Bank Facilities – Proposed Bank Guarantees	Short Term	64.00	IVR A3	-	-	-

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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. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. 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

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Fund Based Facility – Cash Credit	-	-	-	18.00	IVR BBB-/ Stable
Long Term Fund Based Facility – Proposed Cash Credit	-	-	-	27.00	IVR BBB-/ Stable
Short Term Non-Fund Based Facility – Bank Guarantees	-	-	-	76.00	IVR A3
Short Term Non-Fund Based Facility – Proposed Bank Guarantees	-	-	-	64.00	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/arcons-infra-lenders-oct21.pdf>

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

### Annexure 5: Complexity level of the rated Instruments/Facilities

Sr No.	Instrument	Complexity Indicator
1.	Cash Credit	Simple



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2.	Bank Guarantee	Simple
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**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).