



Press Release

Ario Infrastructure Private Limited

December 01, 2020

Ratings

Instrument / Facility	Amount (Rs. crore)	Ratings	Rating Action
Long Term Bank Facilities	4.00 (reduced from 10.00 crore)	IVR B / Stable Outlook (IVR Single B with Stable Outlook)	Downgraded and removed from 'Issuer Not Cooperating'
Long Term/Short Term Bank Facilities	20.00 (enhanced from Rs. 18.00 crore)	IVR B / Stable Outlook (IVR Single B with Stable Outlook)/IVR A4 (IVR A Four)	Downgraded and removed from 'Issuer Not Cooperating'
Total	24.00		

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of Ario Infrastructure Private Limited (AIPL) have been removed from the 'ISSUER NOT COOPERATING' category as the company has now submitted the information required for the rating exercise. The revision in the ratings considers moderation in AIPL's financial performance in FY20(Prov.) marked by deterioration in its scale of operations and profitability. However, the ratings continue to derive comfort from the experience of its promoters and satisfactory order book position. However, these rating strengths are continued to remain constrained by its small scale of operations, leveraged capital structure with weak debt coverage indicators, poor liquidity and continuous ongoing dispute with SIDBI.

Rating Sensitivities

Upward Factors:

- Substantial and sustained growth in operating income and improvement in profitability.
- Improvements in the liquidity position of the company
- Improvement in overall gearing and debt protection metrics of the company.



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Downward Factors:

- Substantial deterioration in operating income and/or profitability of the company impacting its liquidity.
- Moderation in the capital structure and/or moderation in debt protection metrics
- Delay in execution of its orders.
- Any delay in repayment of its debt obligations.

Detailed Description of Key Rating Drivers

Key Rating Strengths

- **Experienced promoter**

The promoter of the company has long standing experience in the field of onshore oil and gas. Mr. Ashok Sarkar (Director) is a chemical engineer and has an experience of over two decades in the industry. He is ably assisted by a group of experienced professionals in managing the day-to-day operation of the company.

- **Satisfactory Order Book**

The company has an outstanding unexecuted order book of Rs.125.30 crore as of November 2020, comprising of 13 projects to be executed over a period of three-four years. The order book consists of piping work, pipeline construction, and underground steel gas pipelines primarily from GAIL, IOCL, etc

Key Rating Weaknesses

- **Small scale of operation**

Despite its long-standing presence in the industry, the scale of operation of the company continues to remain low with total operating income at Rs.12.94 crore in FY20 (Prov.). Further, the company witnessed moderation in its scale of operation due to lower execution of contracts mainly owing to lack of working capital and low execution of work orders due to stoppage in some of work orders. However, the same is now in process and the company expects to complete the same earliest. With moderation in its total operating income the profit levels of the company also deteriorated in FY20. Small scale of operations restricts the financial flexibility of the company to a large extent. During H1FY21, the company has achieved an



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operating income of Rs.9.90 crore. Infomerics believes the scale of operations of the company will continue to remain small in the near to medium term.

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

The overall gearing of the company has generally been high. However, the overall ratio improved from 3.87x as on March 31, 2019 to 3.19x as on March 31, 2020. The long-term debt-equity ratio of the company has been on the higher side as well. Also, the TOL/TNW stood high at around 8.82 times as on March 31, 2020 (Prov.). With its low gross cash accruals, the debt protection metrics of the company also continued to remain weak. Further, the company resorted to stretch its creditors and infusion of unsecured loans to serve its debt repayment obligations in FY20.

- **Dispute with SIDBI:**

The company has a dispute pending with SIDBI. However, the company is in discussion with SIDBI and is to be resolved soon

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Infrastructure Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity: Poor

The liquidity of the company is expected to remain poor marked by its highly working capital-intensive nature of operations attributable to elongated average debtor collection and low cash accruals. Further, the average working capital limit utilization of the company remained almost full in the past 12 months ended in September, 2020. The company had also availed moratorium benefits.



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About the Company

Ario Infrastructure Private Limited (AIPL) was initially established as a partnership firm by the name of M/s. Ario Brothers in 1976 by Mr. Ajit Sarkar and his brothers. The constitution of the firm was changed to a private limited company in 2009. AIPL is an onshore construction company involved in the city gas distribution and oil distribution networks. The company carries out major projects of cross-country pipeline, city gas distribution network, plant piping and equipment erection. At present, Mr. Ashok Sarkar (son of Mr. Ajit Sarkar) is the Director of the company. His wife, Mrs. Kalpana Sarkar is also a director in the company. The company's office is situated in Vadodara, Gujarat. The company has executed projects in the past for reputed PSU's like ONGC, IOCL, GAIL etc.

Financials (Standalone):

For the year ended* / As On	(Rs. crore)	
	31-03-2019	31-03-2020
	Audited	Provisional
Total Operating Income	20.77	12.94
EBITDA	3.01	1.65
PAT	0.66	0.47
Total Debt	11.84	11.24
Tangible Net worth	3.06	3.53
EBITDA Margin (%)	14.51	12.76
PAT Margin (%)	3.09	3.51
Overall Gearing Ratio (x)	3.87	3.19

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Nil

Any other information: Nil



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Rating History for last three years:

Sr. No.	Name of Facilities	Current Rating (Year 2020-21)			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.	Cash Credit	Long Term	4.00	IVR B / Stable Outlook	IVR B+/Stable; ISSUER NOT COOPERATING* (03-09-2020)	IVR B+ /Stable (09-05-2019)	-
2.	Inland/Foreign LC	Long Term/ Short Term	2.00	IVR B; Stable Outlook/ IVR A4	-	-	-
3.	Bank Guarantee	Long Term/ Short Term	18.00*	IVR B; Stable Outlook/ IVR A4	IVR B+; Stable /IVR A4; ISSUER NOT COOPERATING* (03-09-20)	IVR B+; Stable/IVR A4 (09-05-2019)	-

* Operative Limit up to Rs. 15.00 crs

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.

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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



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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 facilities- Cash Credit	-	-	-	4.00	IVR B/ Stable Outlook
Long Term/Short Term Non-Fund based facilities- Inland/Foreign LC	-	-	-	2.00	IVR B/ Stable Outlook/ IVR A4
Long Term/Short Term Non-Fund based facilities- Bank Guarantee	-	-	-	18.00*	IVR B/ Stable Outlook/ IVR A4

* Operative Limit up to Rs. 15.00 crs

Annexure 2: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/lender-ario-1-12-20.pdf>