



## Press Release

### C P Arora Engineers Contractors Private Limited

September 22, 2022

#### Ratings

Instrument / Facility	Amount (Rs. Crore)	Ratings	Rating Action	<a href="#">Complexity Indicator</a>
Long Term Bank Facilities	18.25	IVR BBB-; Stable Outlook (IVR Triple B Minus with Stable Outlook)	Assigned	Simple
Short Term Bank Facilities	31.75*	IVR A3 (IVR Single A Three)	Assigned	Simple
<b>Total</b>	<b>50.00 (Rs. Fifty Crore Only)</b>	<b>Rupees Fifty Crore Only</b>		

\*including proposed BG of Rs 23.53 crs

Details of Facilities are in Annexure 1

#### Detailed Rationale

Infomerics Valuations and Ratings Private Limited (IVR) has assigned long-term rating of IVR BBB- with a Stable Outlook & short-term rating of IVR A3 for the bank loan facilities of C P Arora Engineers Contractors Private Limited (CCEPL).

The rating draws comfort from its extensive experience of the promoters, long track record of operations with proven project execution capability and increase in TNW along with enhancement in Debt Protection metrics. However, these strengths are partially offset by competitive and fragmented Nature of the industry

IVR has principally relied on the standalone audited financial results of CCEPL up to 31 March 2021, provisional financials for FY22 and projected financials for FY23, FY24 and FY25, and publicly available information/ clarifications provided by the firm's management.

#### Key Rating Sensitivities:

##### Upward Factors

- Increase in total operating income along with a strong order book going into the future
- Maintaining the debt protection metrics with increase in working capital requirements



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### Downward Factors

- Decline in profitability levels thereby impacting company's debt coverage indicators.
- Loss of projects or increase in execution time resulting in slower revenue realization

### List of Key Rating Drivers with Detailed Description

#### Key Rating Strengths

- **Experienced promoters:**

The promoters have vast experience in the EPC industry with Mr. Karun Arora having experience of over 20 years. The company has been able to maintain its relations with the authorities through proven timely project execution and quality of work.

- **Long track record of operations with proven project execution capability:**

Presently company has orders in hand worth around Rs 550.00 crores and further orders are also in pipeline. Company has recently received Fresh order of Rs. 33.55 crores from Tata Projects for construction work at Noida International Airport and expecting further orders worth about Rs 1000 crores in near future in phased manner. As per planning of Govt., Noida International Airport should be operational by 2024.

- **Increase in TNW and enhancement in Debt Protection metrics:**

Overall gearing has improved to 0.53x in FY2022 (Provisional) from 1.34 x in FY2021 mainly due to decrease in debt and increase in TNW. Total indebtedness of the company as reflected by the TOL/TNW remained moderate at 1.62x in FY2022 (Provisional) as compared to 4.29x in FY2021. In terms of the debt protection metrics, the interest service coverage ratio (ISCR) increased to 6.92x in FY2022 (Provisional) as compared to 3.74x in FY2021 due to increase in operating profitability, and the debt service coverage ratio (DSCR) is also increased to 2.17x in FY2022 (Provisional) as compared to 1.28x in FY2021.

#### Key Rating Weaknesses

- **Competitive and Fragmented Nature of the industry**



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The Road Construction EPC industry is highly competitive with many small players that cater to the local demand. To reach economies of scale and have a larger market share, the company must continuously invest in expanding facilities. The modest scale of operations amid intense competition is expected to restrict the company's pricing and bargaining power over the medium term. As the company operates in the EPC business of Road Construction, the bids must be priced conveniently so as to be competitive enough. This puts a pressure on the margins.

**Analytical Approach:** For arriving at the ratings, IVR has analysed CCEPL's credit profile by considering the standalone financial statements of the firm.

**Applicable Criteria:**

[Rating Methodology for Infrastructure Companies](#)

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

[Criteria for assigning rating outlook](#)

**Liquidity – Adequate**

C.P. Arora Engineers and Contractors Pvt Ltd has earned a GCA of Rs.18.34 crore against absence of any long-term debt obligations in FY22(Provisional). The liquidity profile is healthy, supported by cash and cash equivalence of Rs 0.37 crore (as on March 31, 2022). Further, the average utilisation of its working capital limit also remained comfortable at 86.16% ending as on May 22 indicating a liquidity buffer. Moreover, the company is expected to generate cash accruals to the tune of Rs.17-21 crore as against its finance charges of ~Rs. 2 to 3 crore during FY22-24.

**About the Firm**

The company M/S C P Arora Engineers Contractors Pvt. Ltd. was formed on 17th April 2003 by taking over the running construction business of firm CP Arora. The true founder of the company was Late Sh. Chander Prakash Arora who inherited this business from his father and with his clear vision of the development of infrastructure, as a mandatory requirement in



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the time to come, he started to undertake the work of infrastructure of whatever magnitude as was feasible, in the years around five decades back.

The company is having Registration as Class-I Contractor with CPWD, PWD & NHAI. The company is engaged in Road Construction and other allied amenities like construction of footpaths, walkways, cross drainage works, culverts, landscaping, and horticulture jobs. Most of the contracts are given directly by above Departments and some as subcontracts from other Big Contractors.

### Financials (Standalone):

(Rs. Crore)

For the year ended*	31-03-2021	31-03-2022
	Audited	Provisional
Total Operating Income	199.57	266.21
EBITDA	17.27	27.32
PAT	6.66	14.41
Total Debt	32.85	23.69
Adjusted Tangible Net worth	22.60	41.42
EBITDA Margin (%)	8.66	10.26
PAT Margin (%)	3.33	5.41
Overall Gearing Ratio (x)	1.64	0.60

\* 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.	Type of Facilities	Current Ratings (Year 2022-23)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating (22 September 2022)	Date(s) & Rating(s) assigned in 2021-22	Date(s) & Rating(s) assigned in 2020-21	Date(s) & Rating(s) assigned in 2019-20
1.	Fund Based-Overdraft	Long Term	18.25	IVR BBB-; Stable Outlook	-	-	-
2.	Non-Fund Based- Bank Guarantee	Short Term	8.22	IVR A3	-	-	-
3.	Proposed Non-fund Based Short-Term Bank Guarantee	Short Term	23.53	IVR A3	-	-	-



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### About Infomerics:

Infomerics was founded in the year 1986 by a team of highly experienced and knowledgeable finance professionals. Subsequently, after obtaining Securities Exchange Board of India registration and RBI accreditation and the activities of the company are extended to External Credit Assessment Institution (ECAI).

Adhering to best International Practices and maintaining high degree of ethics, the team of knowledgeable analytical professionals deliver credible evaluation of rating.

Infomerics evaluates wide range of debt instruments which helps corporates open horizons to raise capital and provides investors enlightened investment opportunities. The transparent, robust and credible rating has gained the confidence of Investors and Banks. Infomerics has a pan India presence with Head Office in Delhi, branches in major cities and representatives in several locations.

For more information visit [www.infomerics.com](http://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, suspend 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.



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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
Overdraft	-	-	-	18.25	IVR BBB-; Stable Outlook
Bank Guarantee	-	-	-	8.22	IVR A3
Proposed Bank Guarantee	-	-	-	23.53	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/Len-CCEPL-sep22.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 [Complexity Level of Rated Instruments/Facilities](#).