



## RATING RATIONALE

12 January 2021

**Aarneel Technocrafts Pvt.Ltd.**

**Brickwork Ratings reaffirms the ratings for Bank Loan Facilities of ₹ 10.00 Crores of Aarneel Technocrafts Pvt.Ltd.**

### Particulars

Facility**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (16th, January, 2020)	Present
Fund based	10.00	10.00	Long Term	BWR BB+ Stable	BWR BB+ Stable [Reaffirmation]
<b>Total</b>	<b>10.00</b>	<b>10.00</b>	<b>INR Ten Crores Only</b>		

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings

\*\* Details of Bank facilities is provided in Annexure-I

**RATING ACTION : Ratings reaffirmed at BWR BB+(Stable)**

**RATING OUTLOOK : Stable**

Brickwork Ratings (BWR) has essentially relied on the audited financial statements of Aarneel Technocrafts Pvt.Ltd.(ATPL or the company) up to FY20, provisional H1FY21, projections upto FY25 publicly available information, and information/clarifications provided by the company's management and its bankers to arrive at the present ratings

BWR believes that the business risk profile of **Aarneel Technocrafts Pvt.Ltd.** will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term.

The ratings continue to draw strength from the experience of the company's promoters in this business, it's business linkage with a well established road construction company- Dilip Buildcon Ltd which have enabled it to increase its scale of operations due to steady inflow of orders, moderate working capital cycle and moderate gearing level. The rating draws further strength from the expansion plan to increase the manufacturing capacity of the company.

The ratings are, however constrained by high client concentration risk given its dependence on a single customer (DBL) for its revenue, reduction in topline in FY20, low current ratio and high reliance on DBL for its funding requirements.

## KEY RATING DRIVERS

### Credit Strengths:

- **Promoter's Experience And Established Clientele Relationship** - The promoters of the company- Mr. Samit Holkar(BE-Mechanical) aged 45years and Mr. Piyush Jain(MBA-Finance) aged 36years have reasonable amount of experience in the industry and has established strong business relationship with Dilip Buildcon Ltd which have resulted in steady inflow of orders and funding support over the years.
- **Improving Credit Risk Profile** - The firm has an average overall credit risk profile which has been improving over the years as marked by a relatively moderate ISCR stood at comfortable level of 4.18X as at FY20 even though declining from 6.44X as at FY19 due to high interest outgo in FY20. The gearing has improved remarkably in FY20 to 1.22X from 01.46X in FY19 on account of plough back of profits leading to a high TNW in FY20. TNW is showing an increasing trend. TNW improved to ₹27.88crs in FY20 from ₹22.48crs in FY19 on account of the plough back of the profits.
- **Healthy Order Book Position** - The company currently has orders in tune of Rs 195.00cr in hand providing short to medium term revenue visibility.
- **Expansion Plans** - The company is currently expanding its production capacity in order to cater other players in the open market as the current demand for the products manufactured is at an all time high in the infrastructure industry. The company is expected to enhance its production capacity by March 2021.

### Credit Risks:

- **High Client Concentration Risk** - The company is majorly dependent mainly on one customer - Dilip Buildcon Ltd (DBL) for its revenue and also for its funding requirements to carry out the orders. The business of DBL is tender based which carries inherent risk for our company also.
- **Low Current Ratio** - The current ratio of the company stands low at 0.56X in FY20, reducing from 1.06X in FY19 indicating a slight liquidity stress, however, it is expected to improve in FY21.
- **Drop in the Topline & Bottomline of the Company** - A drop has been observed in the revenues and PAT of the company to Rs 135.05cr and Rs 5.45cr in FY20 from Rs 217.77cr and Rs 20.03cr respectively on account of lower realization of orders and Covid19. This drop in the revenues and profit has led to a reduction in the Absolute value & % margins of profit of the company. However, the company has achieved a revenue in tune of Rs 110.00 cr for a period from April to December 20.

## ANALYTICAL APPROACH AND APPLICABLE RATING CRITERIA

For arriving at its ratings, BWR has applied its rating methodology as detailed in the Rating Criteria detailed below (hyperlinks provided at the end of this rationale).

## RATING SENSITIVITIES

Going forward, the ability of the Company to accelerate its scale of operations, increase its profit margins,, efficiently manage its working capital and cash flows for timely servicing of interest/debt obligations and strengthening of overall financial risk profile shall be the key

rating sensitivities.

**Positive:** The outlook may be revised to Positive if the company records significantly better-than-expected growth in revenues along with improvement in profitability levels and efficient working capital management, resulting in better debt coverage metrics and liquidity profile

**Negative:** The outlook may be revised to Negative if the company reports significantly lower than expected performance, resulting in lower than estimated coverage indicators and a weaker liquidity position.

#### **LIQUIDITY POSITION: ADEQUATE**

The liquidity position of the company is adequate. The debt service protection metrics are moderate with ISCR and DSCR of 4.18X and 3.53X which shows the adequacy of the company to meet their debt obligations. However, currently the company has no long term debt obligation. The net cash accruals in FY20 is Rs. 6.88 Crs. and the cash and cash equivalents are to the tune of Rs. 0.14 Crs. against the interest costs of Rs.2.66 Crs. which is adequate. The Cash & Bank balance as on date stands at Rs 0.06cr. The company has a low current ratio of 0.56X in FY20.

#### **COMPANY PROFILE**

**Aarneel Technocrafts Pvt Ltd (ATPL)** was incorporated in 2011 by Samit Holkar and Piyush Jain having its manufacturing facility at Pithampur Industrial area at Indore (Madhya Pradesh). ATPL is engaged in manufacturing road signages, street light poles and other fixtures that are installed on roads. ATPL manufactures road safety equipment only for Dilip Buildcon Ltd- established player in the road construction sector and ATPL's 100% manufacturing capacity is utilized by Dilip Buildcon Ltd.

#### **KEY FINANCIAL INDICATORS (in INR Crs)**

As informed by the company's management, the company has earned a sales of in tune of Rs 110.00Crs for a period of April to December 2020.

Key Parameters	Units	FY 20	FY 19
Result Type		Audited	Audited
Total Operating Income	₹ Cr	135.05	217.77
OPBDIT	₹ Cr	11.14	34.67
PAT	₹ Cr	5.45	20.03
Tangible Net Worth	₹ Cr	27.88	22.48
Total Debt/TNW	Times	1.22	1.46
Current Ratio	Times	0.56	1.06

#### **KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED : None**



**NON-COOPERATION WITH PREVIOUS RATING AGENCY :** The company has been classified under Issuer Not Cooperating Category by ICRA Ratings on 21st August 2020. The ratings stand at ICRA B(Stable); Issuer Not Cooperating on account of lack of management cooperation

**RATING HISTORY FOR THE PREVIOUS THREE YEARS [including withdrawal and suspended]**

Instrument	Current Rating			Rating History		
	Tenure (Long Term/ Short Term)	Amount (₹ Cr)	Rating	16th, January, 2020#	2019	27th, September, 2018
Fund Based	Long Term	10.00	<b>BWR BB+ Stable [Reaffirmation]</b>	<b>BWR BB+ Stable</b>	-	<b>BWR BB+ Stable</b>
<b>Total</b>		10.00	<b>INR Ten Crores Only</b>			

*#Company transferred to Ratings Not Reviewed on 30th September, 2019*

**COMPLEXITY LEVELS OF THE INSTRUMENTS**

For more information, visit [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf)

**Hyperlink/Reference to applicable Criteria**

- [Manufacturing Companies](#)
- [Approach To Financial Ratios](#)
- [General Criteria](#)
- [Infrastructure Sector](#)

Analytical Contacts	
<b>Siddhi Kadakia</b> Primary Analyst Board: 2267456666 Ext: 648 <a href="mailto:siddhi.k@brickworkratings.com">siddhi.k@brickworkratings.com</a>	<b>Sushil Kumar Chitkara</b> [Assoc. Director – Ratings] Board: 22 2831 1426/2831 1439 <a href="mailto:sushilkumar.c@brickworkratings.com">sushilkumar.c@brickworkratings.com</a>
<b>1-860-425-2742</b>	<b>media@brickworkratings.com</b>



*Aarneel Technocrafts Pvt.Ltd.*

## ANNEXURE I

### Details of Bank Facilities rated by BWR

Sl. No.	Name of the Bank	Type of Facilities	Long Term (₹ Cr)	Short Term (₹ Cr)	Total (₹ Cr)
1)	Canara Bank	OCC	10.00	-	10.00
<b>TOTAL</b>					<b>10.00</b>

**Total Rupees Ten Crores Only.**

**For print and digital media** The Rating Rationale is sent to you for the sole purpose of dissemination through your print, digital or electronic media. While it may be used by you acknowledging credit to BWR, please do not change the wordings in the rationale to avoid conveying a meaning different from what was intended by BWR. BWR alone has the sole right of sharing (both direct and indirect) its rationales for consideration or otherwise through any print or electronic or digital media.

#### **About Brickwork Ratings**

Brickwork Ratings (BWR), a Securities and Exchange Board of India [SEBI] registered Credit Rating Agency and accredited by Reserve Bank of India [RBI], offers credit ratings of Bank Loan, Non- convertible / convertible / partially convertible debentures and other capital market instruments and bonds, Commercial Paper, perpetual bonds, asset-backed and mortgage-backed securities, partial guarantees and other structured / credit enhanced debt instruments, Security Receipts, Securitisation Products, Municipal Bonds, etc. BWR has rated over 11,400 medium and large corporates and financial institutions' instruments. BWR has also rated NGOs, Educational Institutions, Hospitals, Real Estate Developers, Urban Local Bodies and Municipal Corporations. BWR has Canara Bank, a leading public sector bank, as one of the promoters and strategic partner. BWR has its corporate office in Bengaluru and a country-wide presence with its offices in Ahmedabad, Chandigarh, Chennai, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations.

**DISCLAIMER :** Brickwork Ratings India Pvt. Ltd. (BWR), a Securities and Exchange Board of India [SEBI] registered Credit Rating Agency and accredited by the Reserve Bank of India [RBI], offers credit ratings of Bank Loan facilities, Non- convertible / convertible / partially convertible debentures and other capital market instruments and bonds, Commercial Paper, perpetual bonds, asset-backed and mortgage-backed securities, partial guarantees and other structured / credit enhanced debt instruments, Security Receipts, Securitisation Products, Municipal Bonds, etc. [hereafter referred to as "Instruments"]. BWR also rates NGOs, Educational Institutions, Hospitals, Real Estate Developers, Urban Local Bodies and Municipal Corporations.

BWR wishes to inform all persons who may come across Rating Rationales and Rating Reports provided by BWR that the ratings assigned by BWR are based on information obtained from the issuer of the instrument and other reliable sources, which in BWR's best judgement are considered reliable. The Rating Rationale / Rating Report & other rating communications are intended for the jurisdiction of India only. The reports should not be the sole or primary basis for any investment decision within the meaning of any law or regulation (including the laws and regulations applicable in Europe and also the USA).

BWR also wishes to inform that access or use of the said documents does not create a client relationship between the user and BWR.



The ratings assigned by BWR are only an expression of BWR's opinion on the entity / instrument and should not in any manner be construed as being a recommendation to either, purchase, hold or sell the instrument.

BWR also wishes to abundantly clarify that these ratings are not to be considered as an investment advice in any jurisdiction nor are they to be used as a basis for or as an alternative to independent financial advice and judgement obtained from the user's financial advisors. BWR shall not be liable to any losses incurred by the users of these Rating Rationales, Rating Reports or its contents. BWR reserves the right to vary, modify, suspend or withdraw the ratings at any time without assigning reasons for the same.

BWR's ratings reflect BWR's opinion on the day the ratings are published and are not reflective of factual circumstances that may have arisen on a later date. BWR is not obliged to update its opinion based on any public notification, in any form or format although BWR may disseminate its opinion and analysis when deemed fit.

Neither BWR nor its affiliates, third party providers, as well as the directors, officers, shareholders, employees or agents (collectively, "BWR Party") guarantee the accuracy, completeness or adequacy of the Ratings, and no BWR Party shall have any liability for any errors, omissions, or interruptions therein, regardless of the cause, or for the results obtained from the use of any part of the Rating Rationales or Rating Reports. Each BWR Party disclaims all express or implied warranties, including, but not limited to, any warranties of merchantability, suitability or fitness for a particular purpose or use. In no event shall any BWR Party be liable to any one for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs) in connection with any use of any part of the Rating Rationales and/or Rating Reports even if advised of the possibility of such damages. However, BWR or its associates may have other commercial transactions with the company/entity. BWR and its affiliates do not act as a fiduciary.

BWR keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of the respective activity. As a result, certain business units of BWR may have information that is not available to other BWR business units. BWR has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

BWR clarifies that it may have been paid a fee by the issuers or underwriters of the instruments, facilities, securities etc., or from obligors. BWR's public ratings and analysis are made available on its web site, [www.brickworkratings.com](http://www.brickworkratings.com). More detailed information may be provided for a fee. BWR's rating criteria are also generally made available without charge on BWR's website.

This disclaimer forms an integral part of the Ratings Rationales / Rating Reports or other press releases, advisories, communications issued by BWR and circulation of the ratings without this disclaimer is prohibited.

BWR is bound by the Code of Conduct for Credit Rating Agencies issued by the Securities and Exchange Board of India and is governed by the applicable regulations issued by the Securities and Exchange Board of India as amended from time to time.