

RATING RATIONALE

16 Jan 2020

Aarneel Technocrafts Pvt.Ltd.

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

Particulars

Facility**	Amount (₹ Cr)		Tenure	Rating*	
	Previous	Present		Previous (September, 2018)	Present
Fund based	10.00	10.00	Long Term	BWR BB+ Stable	BWR BB+ Stable [Reaffirmation]
Total	10.00	10.00	INR Ten Crores Only		

*Please refer to BWR website www.brickworkratings.com/ for definition of the ratings

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

RATING ACTION : Long Term Ratings Reaffirmed at BWR BB+(Stable)

RATING OUTLOOK : Stable

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, increasing revenues, moderate working capital cycle and current ratio etc.

The ratings are, however constrained by high client concentration risk given its dependence on a single customer (DBL) for its revenue, low performance in 8MFY20 & low projections provided by the company, 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 45 years and Mr. Piyush Jain (MBA-Finance) aged 36 years 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.

- **Healthy growth in Operating Revenues** - TOI has shown increasing trend since the last 3 years. TOI stood at ₹217.77 crs in FY19 as compared to ₹92.50 crs in FY18 on account of high inflow of orders. ATPL has a healthy order book in hand of around ₹195 crs which provides revenue visibility for the current fiscal. However, on provisional basis the company has earned sales in tune of Rs 65.98cr till 30th November 2019 & its projections are also on a lower side in comparison to FY-19. The company also has relatively high Profitability Margins as reflected by high OPM and NPM which have improved in FY19 as compared to FY18. OPM stood at 15.92% as at FY19 vis-a-vis 4.11% in FY18 and NPM stood at 9.20% in FY19 vis-a-vis 2.60% in FY18.
- **Moderate Current Ratio and Working Capital Cycle** - Current Ratio improved in FY19 and stood moderate at 1.99x. Working Capital Cycle is moderate at 34 days as at FY19, however it declined as compared to FY18.
- **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 6.44x as at FY19 even though declining from 6.51x as at FY18 due to high interest outgo in FY19. The gearing has improved remarkably in FY19 to 1.46X from 13.38X in FY18 on account of plough back of profits leading to a high TNW in FY19. TNW is showing an increasing trend. TNW improved to ₹22.48 crs in FY19 as compared to ₹1.95 crs in FY18 on account of the plough back of the profits.

Credit Risks:

- **High Client Concentration Risk** - Aarneel Technocrafts Pvt Ltd (ATPL) is exposed to high client concentration risk as it dependent on a single customer - Dilip Buildcon Ltd (DBL) for its revenues and funding support to execute its orders. The business of DBL is tender based which also carries inherent risk for ATPL.

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: MODERATE

The liquidity position of the company is adequate with a current ratio of 1.99X in FY19. The debt service protection metrics are moderate with ISCR and DSCR of 6.44X and 3.22X which shows the adequacy of the company to meet their debt obligations. The net cash accruals in FY19 is Rs. 21.33 Crs. and the cash and cash equivalents are to the tune of Rs. 6.05 Crs. against the interest costs of Rs.5.39 Crs. which is adequate

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 65.98Crs with an EBITDA of Rs 6.79Crs in 8MFY20 & has given low projections for FY-20, which when compared to FY19, which may impact other Key Ratios downwards.

Key Parameters	Units	FY 19	FY 18
Result Type		Audited	Audited
Total Operating Income	₹ Cr	217.77	92.50
OPBDIT	₹ Cr	34.67	3.80
PAT	₹ Cr	20.03	2.40
Tangible Net Worth	₹ Cr	22.48	1.95
Total Debt/TNW	Times	1.46	13.38
Current Ratio	Times	1.99	1.32

KEY COVENANTS OF THE INSTRUMENT/FACILITY RATED : None
NON-COOPERATION WITH PREVIOUS RATING AGENCY IF ANY : None

RATING HISTORY

Instrument	Current Rating			Rating History		
	Tenure (Long Term/ Short Term)	Amount (₹ Cr)	Rating	September, 2018	2017	2016
Fund Based	Long Term	10.00	BWR BB+ Stable Reaffirmation	BWR BB+ Stable	NA	NA

COMPLEXITY LEVELS OF THE INSTRUMENTS

For more information, visit www.brickworkratings.com/download/ComplexityLevels.pdf

Hyperlink/Reference to applicable Criteria

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

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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
TOTAL					10.00

Total Rupees Ten Crores only.



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