



## Rating Rationale

Ajay Engicone Pvt Ltd

4 July 2018

**Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 10.25 Crores of Ajay Engicone Pvt Ltd.**

### Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund Based - Cash Credit	1.25	Long Term	<b>BWR B</b> (pronounced BWR Single B) <b>(Outlook:Stable)</b>
Non Fund Based - Bank Guarantee	9.00	Short Term	<b>BWR A4</b> (pronounced BWR A Four)
<b>Total</b>	<b>10.25</b>	<b>INR Ten Crores and Twenty Five Lakhs Only</b>	

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

### Rating : Assignment

Rating under Credit Watch with Positive / Negative / Developing implications

#### Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financials from FY15 to FY17, Provisional financials of FY18 and projected financials upto FY20 of Ajay Engicone Pvt. Ltd. (or 'the company' or 'AEPL'), publicly available information and information/ clarifications provided by the Company's management.

The rating assigned to the bank loan facilities of the Company, inter alia, derives strength from the long track record of operations of the Company, promoters background and directors experience, its Class 1 contractor status, and the non-fund based nature of facilities presently impacting less in meeting the debt and interest obligation. The rating is however constrained by the current scale of operations with the trend of revenue over the past three years, the tender based nature of business and the dependence of revenues on realisation of its order book position, apart from sustaining in an intense competitive environment. Consistent increase in order book and its timely execution, due realisation of the receivables to increase



its scale of operations and maintain or increase the current profitability, apart from timely servicing of the debt and interest obligation will be the key rating sensitivities.

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

#### **Credit Strengths:**

- Long Track record of operations of over two decades due to able support of the key promoter Late Shri Mathura Prasad Singh, the current director Shri. Ajay Kumar Singh's experience of over decade in the industry and well supported by Shri. Sanjay Kumar Singh
- Facilities being in the nature of Non Fund nature are enforceable in case of invocation and there has been no such instance in the company during past few years, although some issue related to term loan which has been fully repaid as of April 2018
- The Company is Class 1 category of 'Water Resources Department of both Jharkhand & Bihar' and 'Public Works Department of Bihar'
- It is also registered as Class 1A category of Rural Engineering Organization of both Jharkhand and Bihar

#### **Credit Risks:**

- The Company in its existence of over twenty years has grown to revenue levels of ₹.17 Cr, however for FY18 the company generated a revenue of ₹.8 Cr
- The Tender based nature of business factoring various criteria are key in increasing the order book, as of June 2018 the Company has an order book of ₹.15 Cr to be executed in a period of next one year
- Intense competition from established players leads to competitive pricing thereby on the profitability, however challenge remains in maintaining the profitability with increase in scale of operations

### **Analytical Approach**

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 Outlook: Stable**

BWR believes the **Ajay Engicone Pvt Ltd** business risk profile will be maintained over the medium term. The 'Stable' outlook indicates a low likelihood of rating change over the medium term. The rating outlook may be revised to 'Positive' in case the revenues and profit show sustained improvement. The rating outlook may be revised to 'Negative' if the revenues go down and profit margins show lower than expected figures.

### **About the Company**

Ajay Engicone Pvt. Ltd. (AEPL) was incorporated in 1997, having its registered office in Morabadi,



Ranchi. It is engaged in the construction of Canals, Dams, Checkdams, Bridges and Roads in the states of Jharkhand and Bihar. It works mainly for Road Construction Department, Rural Works Department and Water Resource Department by participating in online tendering and also works for semi-government bodies like NTPC, RITES etc. AEPL was promoted by Late Mathura Prasad Singh and Shri Ajay Kumar Singh. As of June 2018, it is managed by Shri Ajay Kumar Singh and Shri Sanjay Kumar Singh

### Company Financial Performance

The Company has reported revenues of ₹.17.40 crores in FY17 as compared to ₹.14.98 crores in FY16. As per the Audited Financials of FY17, the net profit of the Company has been reported at ₹.0.86 crores as compared to profit of ₹0.83 crores in FY16. Competitive Bidding in an increasing expense scenario impacts the Operating profit, it is reported at ₹1.55 crores in FY17 against ₹.1.81 crores in FY16. The tangible network of the Company is comfortable at ₹.11.96 Cr as of March 31, 2017, as the entire non-fund based facility of ₹.9 Cr is not availed fully. As per provisional FY18, the Company has generated a revenue of ₹.8.0 crores.

### Rating History for the last three years

S.No	Facility	Current Rating (2018)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	Date, Month, Year	Date, Month, Year	Date, Month, Year
1.	Fund Based - Cash Credit	Long Term	1.25	BWR B (Outlook: Stable)	NA	NA	NA
2.	Non Fund Based - Bank Guarantee	Short Term	9.00	BWR A4	NA	NA	NA
	<b>Total</b>		<b>10.25</b>	<b>₹ Ten Crores and Twenty Five Lakhs Only</b>			

Status of non-cooperation with previous CRA (if applicable)-Reason and comments



### Key Financial Indicators

Key Parameters	Units	2017	2016
Result Type		Audited	Audited
Operating Revenue	₹ Cr	17.40	15.00
EBITDA	₹ Cr	1.55	1.81
PAT	₹ Cr	0.86	0.83
Tangible Net worth	₹ Cr	11.96	11.17
Total Debt/Tangible Net worth	Times	0.19	0.23
Current Ratio	Times	2.36	2.74

### Hyperlink/Reference to applicable Criteria

[General Criteria](#) [Approach to Financial Ratios](#) [Infrastructure Sector](#) [Short Term Debt](#)

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#### Note on complexity levels of the rated instrument:

BWR complexity levels are meant for educating investors. The BWR complexity levels are available at [www.brickworkratings.com/download/ComplexityLevels.pdf](http://www.brickworkratings.com/download/ComplexityLevels.pdf) Investors queries can be sent to [info@brickworkratings.com](mailto:info@brickworkratings.com).

#### About Brickwork Ratings

Brickwork Ratings (BWR), a SEBI registered Credit Rating Agency, accredited by RBI and empaneled by NSIC, offers Bank Loan, NCD, Commercial Paper, MSME ratings and grading services. NABARD has empaneled Brickwork for MFI and NGO grading. BWR is accredited by IREDA & the Ministry of New and Renewable Energy (MNRE), Government of India. Brickwork Ratings has Canara Bank, a leading public sector bank, as its promoter 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. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 11,99,663 Cr. In addition, BWR has rated over 6819 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹48,803 Cr have been rated.

#### **DISCLAIMER**

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