



## Rating Rationale

Arcon Project Pvt Ltd

March 1, 2018

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**Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 30.70 Crores of Arcon Project Pvt Ltd.**

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### Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund based	17.70	Long Term	<b>BWR BB-</b> (Pronounced as BWR BB Minus) <b>(Outlook:Stable).</b> Assign
Non Fund Based	13.00	Short Term	<b>BWR A4</b> <b>(Pronounced BWR A Four)</b>
<b>Total</b>	<b>30.70</b>	<b>INR Thirty Crores and Seventy Lakhs Only</b>	

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

*Note: Initially due to non receipt of acceptance of the rating from the company. The rating of the company was published as a non accepted rating on our company website on February 21, 2018. Subsequently, the company has accepted the assigned rating.*

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

BWR has essentially relied upon the audited financial results of Arcon Projects Pvt Ltd up to FY17, projected financial statements upto FY19, publicly available information and information/clarifications provided by the company's management.

The rating draws strength from the experience of the promoters, increasing revenue and networth level of the company, reputed and well established client base and strong order book position .



However, the rating is constrained by modest scale of operations, high competition from established players and cyclical nature of the industry. .

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

#### **Credit Strengths:**

##### **Experienced Promoters :**

The promoters of the company are well qualified and have over a decade of experience in the civil construction industry.

##### **Improved Revenue and Net worth:**

The revenue of the company is growing year on year. In FY17 the revenue of the company amounted to Rs 61.00 Crs and a profit of Rs 2.09 Crs. The company's strong revenue visibility is supported by a strong order book position of Rs 190 Crs (to be completed in the next 24-30 months).

##### **Reputed and well established client base:**

The company has a reputed client base including Indian Railways, NBCC Ltd., HSCL Ltd, NTPC and NHAI among others.

#### **Credit Risks:**

##### **Modest scale of operations:**

Revenues of Rs 61.00 Crs and an operating profit margin of 9.71% in FY17 indicate that the company has modest scale of operations.

##### **Construction sector being cyclical in nature:**

The civil construction industry is cyclical in nature and the demand is highly dependent on other macro economic factors such as prices, interest rates, money supply etc.

##### **High competition from well established players in the market:**

The company faces the risk of high competition from established and other players in the market as the entry barriers to this sector are low.

#### **Rating Outlook: Stable**

BWR believes the **Arcon Project 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

Arcon Projects Private Limited (APPL) was incorporated in 2011 in Patna. APPL is an infrastructure development company. The company is managed by Mr Arjun Singh and Mr Jai .N.Mehra. The company is involved in various infrastructure development activities like construction of residential & commercial spaces (malls) and is also involved in other infrastructural development projects like Oxy Cutting & Transportation , construction of roads, buildings and bridges.

### Company Financial Performance

The revenue of the company in FY17 was Rs 61.00 Crs and profit after tax amounted to Rs 2.09 Crs in FY17. The revenue and profitability of the company observes year-on-year growth.

### Rating History for the last three years

S.No	Instrument /Facility	Current Rating (2018)			Rating History		
		Type (Long Term/ Short Term)	Amount (₹ Crs)	Rating	2017	2016	2015
1	Fund Based	Long Term	17.70	<b>BWR BB- (Outlook:Stable) Assign</b>	-	-	-
2	Non Fund Based	Short Term	13.00	<b>BWR A4</b>	-	-	-
	<b>Total</b>		<b>30.70</b>	<b>₹ Thirty Crores and Seventy lakhs Only</b>			



**Key Financial Indicators**

Key Parameters	Units	2017	2016
Result Type		Audited	Audited
Operating Revenue	₹ Cr	61.63	36.21
EBITDA	₹ Cr	5.98	3.47
PAT	₹ Cr	2.09	0.91
Tangible Net worth	₹ Cr	14.11	9.02
Total Debt/Tangible Net worth	Times	0.98	1.46
Current Ratio	Times	1.52	1.20

**Status of non cooperation with Previous CRA : Non Applicable**

**Any other information: Non Applicable**

**Hyperlink/Reference to applicable Criteria**

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

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**Annexure I**

<b>Name of Bank</b>	<b>Sanctioned Facilities</b>	<b>Amount (Rs Crs)</b>
<b>State Bank of India</b>	OCC	3.55
	Term Loan	4.15*
	Asset Backed Loan	10.00
	Bank Guarantee	13.00
<b>Total Amount (Rs. Crs)</b>	<b>INR Thirty Crores and Seventy Lakhs only.</b>	<b>30.70</b>

\*Term Loan yet to be disbursed as confirmed by banker.

**For print and digital media**

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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, has also been 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 Nationalized 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, Guwahati, Hyderabad, Kolkata, Mumbai and New Delhi along with representatives in 150+ locations. BWR has rated debt instruments/bonds/bank loans, securitized paper of over ₹ 10,00,000 Cr. In addition, BWR has rated over 6300 MSMEs. Also, Fixed Deposits and Commercial Papers etc. worth over ₹24,440 Cr have been rated.



**DISCLAIMER**

Brickwork Ratings (BWR) has assigned the rating based on the information obtained from the issuer and other reliable sources, which are deemed to be accurate. BWR has taken considerable steps to avoid any data distortion; however, it does not examine the precision or completeness of the information obtained. And hence, the information in this report is presented “as is” without any express or implied warranty of any kind. BWR does not make any representation in respect to the truth or accuracy of any such information. The rating assigned by BWR should be treated as an opinion rather than a recommendation to buy, sell or hold the rated instrument and BWR shall not be liable for any losses incurred by users from any use of this report or its contents. BWR has the right to change, suspend or withdraw the ratings at any time for any reasons.