



Rating Rationale

Arun Kumar Contractor

8 May 2018

Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹ 8.00 Crores of Arun Kumar Contractor

Particulars

Facility	Amount to be rated	Tenure	Rating Assigned*
Fund Based - Overdraft	1.00	Long Term	BWR B+ (Pronounced as BWR Single B Plus) (Outlook : Stable)
Term Loan	0.30		
Non Fund Based - Bank Guarantee	6.70	Short Term	BWR A4 (Pronounced as BWR Single A Four)
Total	8.00	INR Eight Crores Only	

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

Rationale/Description of Key Rating Drivers/Rating sensitivities:

BWR has principally relied upon the audited financial results up to FY17, projections for FY 18 & FY 19, publicly available information and information/ clarifications provided by the company.

The rating has, inter alia, factored in strong experience of the proprietor, comfortable profitability margins and debt protection metrics and adequate liquidity. The rating is, however, constrained by small scale of operations, risk associated with tender based business & timely execution of contracts.

Key Rating Drivers

Credit Strengths

- **Strong experience of Proprietor** – Mr. Arun Kumar, proprietor is having more than a decade experience in construction sector and which helps the firm to grow steadily.
- **Comfortable Debt Protection Metrics** - The entity has comfortable debt protection metrics as ISCR & DSCR stood at 11.18x and 9.77x respectively in FY 17 which reflects the ability of company for timely repayment of debt.
- **Adequate Liquidity** - The entity has been able to maintain adequate current ratio of 1.34 times in FY 17 which indicates the company is well-positioned to cover its current or short term liabilities.



- **Comfortable Gearing Ratio**– The entity has comfortable Gearing Ratio (I.e TOL/TNW) is reported to 1.79 times in FY17.

Credit Weakness

- **Small scale of operations** - The total operating Income of the firm is Rs. 23.68 Crs in FY 17 which has declined from Rs. 26.06 Crs in FY16.
- **Exposure to risks related to tender-based business:** Since revenue depends on success in winning tenders in a competitive bidding process, it may fluctuate.
- **Intensely competitive nature of the industry characterized by a number of players** - The industry is highly competitive and characterized by the presence of a large number of players in the organized segment. Arun Kumar Contractor is a small sized player, relative to the size of the industry.

Rating Outlook: Stable

BWR believes the Arun Kumar Contractor’s 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

M/s Arun Kumar contractor was established on 08.02.2006 as a proprietorship concern of Mr. Arun Kumar and is a civil contractor. The entity is a certified and registered AA Class contractor and also is a renowned civil contractor of entire region. Mr. Arun Kumar is having more than a decade experience in this line and which helps the firm to grow steadily.

The firm is registered in various government departments, like Municipal corporation and Nagar nigam of Rampur, Bijnor and Amroha.

Firm’s Financial Performance

Key Parameters		FY 16 (Audited)	FY17 (Audited)
Total Operating Income	Cr	26.06	23.68
OPBDIT	Cr	0.72	1.39
PAT	Cr	0.80	1.42
Tangible Net Worth	Times	2.28	3.69
TOL/TNW	Cr	1.77	1.79
Current Ratio	Times	1.54	1.34



Status of non-cooperation with previous CRA: NA

Rating History for the last three years (including withdrawn/suspended ratings)

Facility	Tenure	Rating Assigned (2018)		Rating History		
		Previous Amount (Rs. Crs)	Rating	2017	2016	2015
Fund Based - Overdraft	Long Term	1.00	BWR B+ (Pronounced as BWR Single B Plus) (Outlook : Stable)	-	-	-
Term Loan		0.30		-	-	-
Non Fund Based - Bank Guarantee	Short Term	6.70	BWR A4 (Pronounced as BWR Single A Four)	-	-	-
Total		8.00	INR Eight Crores Only			

Hyperlink/Reference to applicable Criteria

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

For any other criteria obtain hyperlinks from website

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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 Investors queries can be sent to 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

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