

## Rating Rationale

### Arunima Constructions

28 June 2018

**Brickwork Ratings assigns the ratings for the Bank Loan Facilities of ₹. 6.00 Crores of Arunima Constructions...**

#### Particulars

Facility	Amount (₹ Crs)	Tenure	Rating*
Fund Based	1.50	Long Term	<b>BWR B</b> [Pronounced as BWR Single B] Outlook: Stable
Non Fund Based	4.50	Short Term	<b>BWR A4</b> [Pronounced as BWR Single A Four]
<b>Total</b>	<b>6.00</b>	<b>INR Six Crores Only</b>	

\*Please refer to BWR website [www.brickworkratings.com/](http://www.brickworkratings.com/) for definition of the ratings  
Complete details of Bank facilities is provided in Annexure-I

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

BWR has principally relied upon the audited financial results of FY14-FY17, provisional financial results of FY18, projected financial results of FY19-FY20, publicly available information and information/clarification provided by the company's management.

The rating has factored, inter alia, strong debt service coverage ratios, it being a higher class of contractor, having strong order book and a good past track record and enjoying strong profitability margins.

The rating is however constrained by, low scale of operations, low networth, high gearing ratios, customer concentration risk, Uncertainty attached with TENDER BASED business and stretched liquidity position in FY17.

Going forward, the Company's ability to increase its operational level ,profitability & Net Worth ,improve the conversion cycle and managing the cash flow in order to service debt in time would be the key rating sensitivities of the company.

#### Description of Key Rating Drivers

- **Credit Strengths:**

**Strong debt service coverage ratios:-** ISCR was 2.77 times and DSCR 2.32 times in FY17 against 6.61 times and 4.28 times respectively in FY16. ISCR was around 3.95 times and DSCR 3.11 times as per provisional FY18.

**Reputed Class Contractor:-** It has been recognised as an 'AA' class contractor, thus facilitating to obtain more contracts and of higher value.

**Strong order book:-** It has an order book of Rs 29cr, revenue visibility for the same will be seen in FY19.

**Good past track record:-** AC enjoys a good past track record of executing work adhering to deadlines.

**High profitability margins:-** The OPBDIT margins and PAT margins were 13.98% and 7.50% respectively in FY17 against 9.26% and 7.08% respectively in FY16. Further, as per provisional FY18, OPBDIT margins were about 11.34% and 7.76% respectively in FY18.

- **Credit Risks:**

**Low scale of operations:-** The topline was Rs 6.29cr in FY17 against Rs 5.97cr in FY16. As per the provisional FY18, topline was Rs 13.01cr.

**Low networth:-** The networth was Rs 0.78cr in FY17 against Rs 0.78cr in FY16. It increased in FY18 due to infusion of capital.

**High gearing ratios:-** The total debt/TNW ratio was around 2.73 times in FY17 against 1.06 times in FY16. It was 2.58 times as per provisional FY18.

**Customer Concentration Risk:-** The top 5 customers constitute the entire sales.

**Stretched Liquidity position in FY17:-** The current ratio was around 0.89 times in FY17 against 1.34 times in FY16. It was around 1.22 times in FY18.

**Tender Based business:-** The entire business is tender based. There is always uncertainty attached with tender based business.

### **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 **Arunima Constructions'** 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**

Incorporated in 2010, Arunima Constructions (AC) is a proprietorship concern based in Lucknow and is engaged in construction of roads and bandhs for the Government of Uttar Pradesh. Major work is done in Eastern Uttar Pradesh. It has rewarded 'AA' class.

### **Company Financial Performance**

As per audited financials of FY17, revenue and PAT of stood at Rs 6.29cr and Rs 0.47 cr, compared to Rs 5.97cr and Rs 0.42cr respectively in FY16. As per provisional FY18, revenue and PAT stood at Rs 13.01cr and Rs 1.01cr respectively. Net Worth remained the same from Rs 0.78 cr in FY16 to Rs 0.78cr in FY17. As per provisional FY18, net worth is Rs 1.65cr

### 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
	<b>Fund Based</b>	Long Term	1.50	<b>BWR B (Stable)</b>	-	-	-
	<b>Non Fund Based</b>	Short Term	4.50	<b>BWR A4</b>	-	-	-
	<b>Total</b>		<b>6.00</b>	<b>₹ Six Crores Only</b>			

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

#### Key Financial Indicators

Key Parameters	Units	2017 (Audited)	2016 (Audited)
<b>Result Type</b>			
Operating Revenue	₹ Cr	6.29	5.97
EBITDA	₹ Cr	0.88	0.55
PAT	₹ Cr	0.47	0.42
Tangible Net worth	₹ Cr	0.78	0.78
Total Debt/Tangible Net worth	Times	2.73	1.06
Current Ratio	Times	0.89	1.34

### Hyperlink/Reference to applicable Criteria

- [General Criteria](#)
- [Approach to Financial Ratios](#)
- [Manufacturing Companies](#)

For any other criteria obtain hyperlinks from website

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**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, 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**

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.