



Press Release

Arcons Infrastructure & Construction Private Limited (AICPL)

February 27, 2024

Ratings:

Facilities	Amount (Rs. crore)	Ratings	Rating Action	Complexity Indicator
Long Term Fund Based Bank Facilities – Cash Credit	80.00	IVR BBB/ Stable (IVR Triple B with Stable Outlook)	Reaffirmed	Simple
Short Term Non-Fund Based Bank Facilities – BGs	105.00	IVR A3+ (IVR A Three Plus)	Reaffirmed	Simple
Total	185.00			

Details of Facilities are in Annexure 1

Detailed Rationale:

The reaffirmation of the ratings to the bank facilities of Arcons Infrastructure & Construction Private Limited (AICPL) continue to derive strength from its long track record & established presence in the construction sector, strong order book position reflecting satisfactory medium-term revenue visibility and moderate capital structure with healthy debt protection metrics. However, these rating strengths remain constrained by geographical and client concentration risk, tender driven nature of business in highly fragmented & competitive construction sector and contract execution risk.

Key Rating Sensitivities:

Upward Factors:

- Growth in scale of operations with improvement in profitability
- Manage working capital requirements efficiently with improvement in liquidity position.

Downward Factors:

- Any deterioration in debt protection metrics and/or liquidity profile.
- Moderation in the capital structure with deterioration in overall gearing.
- Moderation in scale of operations or profitability impacting the liquidity profile.



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Key Rating Drivers with detailed description:

Key Rating Strengths:

Long track record & established presence in the construction sector:

AICPL was founded in 1973 as Agrawal Construction Company, a partnership firm and later in 2006 it was converted into private limited company. Further, AICPL is managed by 2nd generation of family i.e. Er. Rajesh Agrawal joined AICPL in the year 1981 after completing his graduation in Civil Engineering. The directors are well supported by a team of experienced and qualified professionals in day-to-day operations.

Strong order book position reflecting satisfactory medium-term revenue visibility.

The company is having healthy unexecuted orderbook of Rs.770 Crores as of November 2023 which is to be executed with in next 1-2 years, thereby providing the company with satisfactory near to medium term revenue visibility. Further the total operating income of the company has improved to Rs.377.41 crore in FY23 as against Rs.189.28 crore in FY22 on account of better execution of projects.

Moderate capital structure with healthy debt protection metrics.

Considering the working capital intensive nature of operation, the company has a moderate capital structure with overall gearing ratio being 1.33x as on March 31, 2023. Further the company's debt protections parameters are also comfortable, marked by interest coverage ratio of 6.65x and DSCR of 1.83x as on March 31, 2023.

Key Rating Weaknesses:

Geographical and client concentration risk

The company's geographic-concentration risk remains moderate as it executes more than 53% of projects from the states of Karnataka and also top 5 clients share around 98% in FY23 thus posing client concentration risk too. However, company has started expanding its business, pan India.

Tender driven nature of business in highly fragmented & competitive construction sector

Execution risks for newly awarded projects in a timely manner will be key to achieving growth in revenues and profits. Business certainty is dependent on the company's ability to successfully bid for the tenders as entire business is tender based. The domestic infrastructure/construction sector is highly fragmented marked by presence of many players with varied statures & capabilities. Boom in the infrastructure sector, a few years back, resulted in increase in the number of players. While the competition is perceived to be healthy, significant price cut by few players during the bidding process is a matter of serious concern for the users with respect to quality of output.



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Contract execution risk

The Company is exposed to project execution risk of the pending order book, owing to the uncertainties in the EPC business. The ability of the Company to execute the projects without delay would be a key rating monitorable.

Analytical Approach: Standalone

Applicable Criteria:

[Criteria for assigning Rating Outlook](#)

[Rating Methodology for Infrastructure Companies](#)

[Financial Ratios & Interpretation \(Non- Financial Sector\)](#)

Liquidity – Adequate

The liquidity position of the company is expected to remain adequate characterized by moderate cushion in its gross cash accruals of Rs. 34.15 Cr in FY23. The current ratio remained moderate at 1.16x as on March 31, 2023. The average fund based working capital utilization of the company remained moderate at 62% for the past 12 months period ended Nov 2023 indicating moderate liquidity cushion. However, the company's free cash and bank balance stood at Rs. 2.30 Crore as of March 2023.

About the Company

Arcons Infrastructures & Constructions Private Limited (AICPL) converted from partnership firm to Private Limited Company in 2006. The Company was formally known as Agrawal Construction Company (ACC) which was formed in the Year 1973. AICPL is engaged in the business of construction of road, buildings, bridges and other civil engineering projects. The company is registered under unlimited class with various departments in Government and Semi Government authorities of Madhya Pradesh, Karnataka and Odisha.



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Financials:

(Rs. crore)

For the year ended/* As On	31-03-2022	31-03-2023
	Audited	Audited
Total Operating Income	189.28	377.41
EBITDA	27.21	51.26
PAT	11.78	23.77
Total Debt	50.22	127.81
Adjusted Tangible Net-worth	72.84	94.83
Ratios		
EBITDA Margin (%)	14.37	13.58
PAT Margin (%)	6.22	6.29
Overall Gearing Ratio (x)	0.72	1.37

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Nil

Any other information: Not Applicable

Rating History for last three years:

Sr. No.	Name of Instrument/ Facilities	Current Ratings (Year 2023-24)			Rating History for the past 3 years		
		Type	Amount (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2022-23 (Jan 06, 2023)	Date(s) & Rating(s) assigned in 2021-22 (Oct 08, 2021)	Date(s) & Rating(s) assigned in 2020-21
1.	Fund Based Facility – Cash Credit	Long Term	80.00	IVR BBB/ Stable	IVR BBB/ Stable	IVR BBB- /Stable	-
2.	Non-Fund Based Facility – BGs	Short Term	105.00	IVR A3+	IVR A3+	IVR A3	-

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About Infomerics:

Infomerics Valuation and Rating Private Ltd (Infomerics) was founded in the year 1986 by a team of highly experienced finance professionals for research and risk evaluation. Infomerics commenced its activities as External Credit Assessment Institution after obtaining registration



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from Securities Exchange Board of India (SEBI) and accreditation from Reserve Bank of India (RBI).

Adhering to best international practices and maintaining high degree of ethics, the team of analysts at Infomerics deliver quality credit ratings. Infomerics evaluates wide range of debt instruments which helps corporates access to financial markets and provides investors credit ratings backed by in-depth research. The transparent, robust, and credible ratings have gained the confidence of investors and the banks.

Infomerics has a pan India presence with Head Office in Delhi and Corporate Office at Mumbai, with branches in major cities and representatives in several locations. Infomerics also has international presence with credit rating operations in Nepal through its JV subsidiary. For more information visit www.infomerics.com.

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Annexure 1: Details of Facilities:

Name of Facility	Date of Issuance	Coupon Rate/ IRR	Maturity Date	Size of Facility (Rs. crore)	Rating Assigned/ Outlook
Long Term Fund Based Facilities – Cash Credit	-	-	-	80.00	IVR BBB/Stable
Short Term Non Fund Based Bank Facilities - BGs	-	-	-	105.00	IVR A3+

Annexure 2: List of companies considered for consolidated analysis: Not Applicable

Annexure 3: Facility wise lender details:

<https://www.infomerics.com/admin/prfiles/len-Arcons-Infrastructure-feb24.pdf>

Annexure 4: Detailed explanation of covenants of the rated instrument/facilities: Not Applicable



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Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it based on complexity and a note thereon is available at www.infomerics.com.

