Ashwini Infradevelopments Private Limited

January 31, 2019

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action[1]
Long-term : Fund based – Cash Credit	15.00	10.00	[ICRA]BBB- / Reaffirmed; Outlook revised to 'Stable' from 'Negative'; removed from issuer not cooperating category
Long-term: Non fund based – Bank Guarantee	40.00	40.00	[ICRA]BBB- / Reaffirmed; Outlook revised to 'Stable' from 'Negative'; removed from issuer not cooperating category
Total	**55.00**	**50.00**	

*Instrument Details are provided in Annexure-1

Rationale

The revision in the rating outlook reflects the visible progress by Ashwini Infradevelopments Private Limited's (AIPL) in execution of two key orders stuck during FY2017 resulting in healthy improvement in revenues in FY2018 and 7M FY2019. The reaffirmation of rating continues to factor in the healthy order book position of Rs. 280.03 crore as of December 31, 2018 lending adequate revenue visibility in near term, its comfortable capital structure and debt coverage indicators, and its adequate liquidity position supported by healthy cash and bank balance and undrawn bank facilities. ICRA notes the extensive experience of the promoters of over three decades in the construction industry.

The rating, however, continues to remain constrained by its modest scale of operations at present, the high project and geographical concentration risks given that top five orders in hand account for 60% of the total order book and a majority of the company's ongoing projects are located in the Mumbai and Navi Mumbai area. The rating also factors in project execution risks, as inherent in the construction industry.

Outlook: Stable

ICRA expects AIPL to continue to benefit from the extensive experience of its promoters and healthy order inflows by virtue of its established track record. The outlook may be revised to Positive if consistent growth in revenues along with notable improvement in profitability, and efficient working capital management, strengthen its financial risk profile. The outlook may be revised to Negative if cash accrual is lower than anticipated due to delays in execution of key projects, or any strain on the working capital cycle or any further leveraging of the capital structure, weakens its liquidity.

[1] *For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications*

Key rating drivers

Credit strengths

Established track record and extensive experience of promoters for over three decades in the construction industry - The promoters of the company have over three decades of experience in the civil construction industry and have executed various road development and civil construction projects for Government and semi-government bodies in Maharashtra. The company is registered as a Class 1-A contractor with the Public Works Department (PWD) as well as with other municipal corporations, including the Navi Mumbai Municipal Corporation (NMMC), Municipal Corporation of Greater Mumbai (MCGM), Nagpur Municipal Corporation (NMC) and Pimpri–Chinchwad Municipal Corporation (PCMC).

Healthy order book position; pick up in execution of two key orders which were stuck in FY2017 - The company has a healthy unexecuted order book position worth Rs. 280.03 crore (as of December 31, 2018) constituting 2.83x FY2018 revenues, which provides adequate revenue visibility in near term. The company faced delays in execution of two key orders from the Bhabha Atomic Research Centre (BARC), Mumbai, and the Oil and Natural Gas Corporation (ONGC), Mumbai, during FY2017, due to delays in site handover. However, healthy pickup has been observed in execution of these projects in FY2018 as well as current fiscal.

Comfortable capital structure and debt coverage indicators, adequate liquidity position – The company's capital structure remains comfortable with gearing of 0.26 time as on October 31, 2018, as compared to 0.29 time as on March 31, 2018. The debt coverage indicators, also remain comfortable as reflected by interest cover of 5.84 times (P.Y[2].- 3.20 times), NCA/TD of 52% (P.Y. – 24%), and TD/OPBDITA of 1.99 times (P.Y. - 3.55 times) as on March 31, 2018.unencumbered cash balance of ~Rs. 19.50 crore as on March 31, 2018, supported further by sizeable unencumbered working capital limits with average monthly utilisation of the working capital limits being 48% in the 12 months period ended December 2018.

Credit challenges

Modest scale of operations at present, exposed to risk of delays in execution due to site handover - Although the company reported revenues of Rs. 98.78 crore in FY2018 compared to Rs. 52.01 crore in FY2017 supported by ramp-up in execution of orders, the scale of operations remain modest at absolute levels. Further, the operations remain exposed to risk related to delays in execution of projects due to delays in site handover and unavailability of space.

Moderate working capital intensity of operations; working capital supported by stretched creditor payments in FY2018 - Working capital intensity of the company remains moderate, and decreased to 18% as on March 31, 2018 from 58% during the previous year owing to stretched creditor payments. Creditor days increased to 243 days as on March 31, 2018 compared to 92 days as on March 31, 2017, due to delays in payment to sub-contracts as a result of delayed receivables from one of the projects. High funds being blocked in security deposits and retention money (Rs. 7.49 crore as on March 31, 2018), a typical characteristic of a construction player, also impacts the working capital intensity.

Project concentration and geographic concentration risk- The company is exposed to the project concentration risk since the top five orders in the order book of the company constitute ~60% of the total unexecuted order book as of December 2018. Further, majority of the projects currently being undertaken by the company are located in Mumbai and Navi Mumbai, exposing the company to geographical concentration risks. However, the company enjoys long-term relationships with its clients, which mitigates the risk to some extent.

[2] P.Y. – Previous Year

Liquidity Position

AIPL has estimated annual repayments of Rs. 1.95 crore in FY2019, Rs. 3.34 crore in FY2020 and Rs. 3.65 crore in FY2021 towards its outstanding term loans. It has cash and liquid investments of Rs. 33.94 crore as on March 31, 2018 (encumbered Rs. 14.44 crore) and Rs. 38.48 crore as on October 31, 2018, while the utilization of the fund based working capital limits remained moderate with average fund based utilization of 48% during the period from January 2018 to December 2018, indicating adequate liquidity position. The company's fund flows have remained positive over last five fiscals due to healthy profitability.

Analytical approach:

Analytical Approach	Comments
Applicable Rating Methodologies	Corporate Credit Rating Methodology Rating Methodology for Construction Entities
Parent/Group Support	Not applicable
Consolidation / Standalone	Rating is based on standalone financial statements of the issuer

About the company:

Ashwini Infradevelopments Private Limited (AIPL) was started as a partnership firm in 1981, before being converted into a private limited entity in 2002. It is involved in the construction of roads, buildings and other civil works. The company has executed various road development and civil construction projects for Government and semi-government bodies in Maharashtra. AIPL is registered with the Public Works Department (PWD), the Municipal Corporation of Greater Mumbai (MCGM), and the City and the Industrial Development Corporation of Maharashtra Ltd. (CIDCO). The company has a ready-mix concrete plant, an asphalt plant and two crushing plants at Mahape in Navi Mumbai (Maharashtra).

AIPL reported a Profit after Tax (PAT) of Rs. 6.69 crore on an operating income (OI) of Rs. 98.78 crore in FY2018 as compared to a PAT of Rs. 2.50 crore on an OI of Rs. 52.01 crore in FY2017. Further, as per the key provisional financials for 7M FY2019, the company has reported OI of Rs. 43.29 crore and a Profit before tax (PBT) of Rs. 8.85 crore.

Key financial indicators

	FY2017 (Audited)	FY2018 (Audited)	7M FY2019 (Provisional)
Operating Income (Rs. crore)	52.01	98.78	43.29
PAT (Rs. crore)	2.50	6.69	8.85^
OPBDIT/ OI (%)	12.06%	9.81%	23.10%
RoCE (%)	8.03%	14.23%	19.68%
Total Debt/ TNW (times)	0.38	0.29	0.26
Total Debt/ OPBDIT (times)	3.55	1.99	1.14
Interest Coverage (times)	3.20	5.84	8.85

^ profit before tax

Status of non-cooperation with previous CRA: None

Any other information: None

Rating history for last three years:

	Instrument	Current Rating (FY2019)					Chronology of Rating History for the past 3 years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating		Date & Rating in FY2018	Date & Rating in FY2017	Date & Rating in FY2016
					January 2019	October 2018	August 2017	June 2016	-
1	Fund based	Long-term	10.00	-	[ICRA]BBB- (Stable); Removed from 'Issuer not cooperating' category	[ICRA]BBB- (Negative); ISSUER NOT COOPERATING	[ICRA]BBB- (Negative)	[ICRA]BBB- (Stable)	-
2	Non-fund based	Long-term	40.00	-	[ICRA]BBB- (Stable); Removed from 'Issuer not cooperating' category	[ICRA]BBB- (Negative); ISSUER NOT COOPERATING	[ICRA]BBB- (Negative)	[ICRA]BBB- (Stable)	-

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument Details

ISINN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Cash Credit	-	-	-	10.00	[ICRA]BBB- (Stable)
NA	Bank Guarantee	-	-	-	40.00	[ICRA]BBB- (Stable)

Source: AIPL

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About ICRA Limited:

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