

Aarvee Associates Architects Engineers & Consultants Private Limited

Instrument	Amount In Rs. Crore	Rating Action
Fund based limits	20.60 (enhanced from 11.60)	[ICRA]A+(Stable) reaffirmed
Non fund based limits	63.40 (enhanced from 43.40)	[ICRA]A+(Stable)/[ICRA]A1 reaffirmed

ICRA has reaffirmed the long-term rating assigned to the Rs. 20.60 crore¹ (enhanced from Rs. 11.60 crore) fund based facilities of Aarvee Associates Architects Engineers and Consultants Private Limited (AAPL)² at **[ICRA]A+** (pronounced ICRA A plus). ICRA has also reaffirmed long term/short term ratings assigned to the Rs. 63.40 crore (enhanced from Rs. 43.40 crore) non-fund based bank facilities of AAPL at **[ICRA]A+/[ICRA]A1** (pronounced ICRA A one). The outlook on the long-term rating is stable.

The ratings reaffirmation factors in improvement in order book to Rs. 641.43 crore as on September 30, 2016 (OB/OI of 3.12 times of FY2016 revenues) owing to increase in fresh order addition primarily in railways and DPR highways divisions; increase in revenues by 22% in FY2016 on the back of improved order execution across all divisions and consistent cash accruals over the years leading to strong capital structure with gearing of 0.31 times as on March 31, 2016. The ratings continue to draw comfort from AAPL's strong track record in providing consultancy services across the highways, railways, water supply, urban planning, and irrigation, and its strong clientele which includes the central and state governments and reputed names from public and private sectors. The ratings are however constrained by the presence of competition from established local, multinational and boutique firms, though the risk is mitigated to some extent by entry barriers due to AAPL's strong past track record and technical competence. The ratings are further constrained by increase in working capital intensity over the last year owing to delays in payments by few entities since the client portfolio of AAPL predominantly consists of government and PSU entities. Given that the client portfolio of AAPL predominantly constitutes of government and PSU (public sector undertakings) entities,; however, the working capital requirements of the company have largely been met from internal accruals. Like other firms in the industry, retention of key personnel continues to be challenge for the company.

Going forward, the ability of the company to sustain the revenue growth, maintain healthy operating profitability levels and management of working capital requirements are the key rating sensitivity from a credit perspective.

Company Profile

Established in 1989, Aarvee Associates Architects Engineers & Consultants Private Limited ("AAPL") is an ISO 9001:2008 certified multi-disciplinary engineering consulting company offering design and engineering consultancy and project management services primarily within the infrastructure space. AAPL provides consulting services across a diverse range of sub-sectors within the infrastructure segment like highways, railways, ports, power, urban infrastructure development, water resources development and irrigation, environmental engineering services and geospatial solutions. AAPL has a pan-India presence, with branch offices in New Delhi, Bhubaneswar and Ahmedabad and several project offices in all the major states across the country. AAPL also has an Australian subsidiary, Aarvee Associates Pty Ltd, based in Brisbane, Queensland, and a registered branch office in Dar es Salaam, Tanzania.

Recent Results

As per the unaudited results for FY2016, AAPL recorded an operating income of Rs. 205.37 crore and a profit after tax of Rs. 10.66 crore as against an operating income of Rs. 167.85 crore and a profit after tax of Rs. 9.21 crore in FY 2015.

November 2016

¹ Rs 1 Crore = Rs 100 Lakh = Rs 10 Million

² For complete rating scale and definitions, please refer to ICRA's website www.icra.in or other ICRA Rating Publications.

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