



Ajab Singh & Co.

Instrument	Amount	Rating
	In Rs. Crore	As on December 2015
Fund Based Limits	6.50	[ICRA]B+; <i>upgraded</i>
Non-Fund Based Limits	4.00	[ICRA]B+; <i>upgraded</i>

ICRA has upgraded the long-term rating for the Rs. 10.5 crore* fund based/non-fund based limits of Ajab Singh & Co. (ASC)[†] from [ICRA]B to [ICRA]B+.

The rating upgrade is driven by the improvement in ASC's revenues over the past two years along with healthy net profitability of 7.38% and return indicators Return on Capital Employed for FY2015 without any major incremental debt. With significant traction in its top order during FY2016, the revenue base of the firm is likely to increase further however the order book position of the firm remains modest. The rating continues to take into account the experience of the promoters in the construction business. The rating however remains constrained low networth base partly on account of withdrawal of capital by partners, vulnerability of the profitability to fluctuations in raw material prices, high geographical concentration as well as highly competitive market. The rating also factors in the high working capital intensity of business owing to high inventory requirements which exerts pressure on the liquidity position of the firm.

Going forward, the ability of the firm to maintain its profitability, in addition to improving its working capital intensity of operations; ability of the firm to obtain and execute orders, diversify its customer base and scale of projects it undertakes; and further strengthening of the capital structure will remain the key rating sensitivities.

Profile of the firm

Ajab Singh and Company is a partnership firm which was incorporated in 2006. The firm is engaged in construction of flats, boundary wall and other such civil engineering projects in NCR region for DDA. The firm has around 40 permanent employees and 200-250 labourers which are hired on a temporary basis.

Recent Results

During FY2015, ASC reported a profit after tax of Rs. 4.20 crore on an operating income of Rs. 56.92 crore as against PAT of Rs. 1.69 crore on an operating income of Rs. 28.34 crore during FY2014.

December 2015

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* 100 lakh = 1 crore = 10 million

² For complete rating scale and definitions, please refer to ICRA's Website, www.icra.in, or any of the ICRA Rating Publications.



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