

C.P. Arora Engineers-Contractors Pvt. Ltd.

November 05, 2018

Summary of rated instruments

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Fund Based- Cash Credit	6.75	6.75	[ICRA]C; revised from [ICRA]BB (Stable)
Short term Non-fund-based	8.22	8.22	[ICRA]A4; revised from [ICRA]A4+
Short term-Unallocated	0.03	0.03	[ICRA]A4; revised from [ICRA]A4+
Total	15.00	15.00	

*Instrument details are provided in Annexure-1

Rating action

ICRA has revised the long-term rating to [ICRA]C (pronounced as ICRA C) from [ICRA]BB (pronounced ICRA double B) and short-term rating to [ICRA]A4 (pronounced ICRA A four) from [ICRA]A4+ (pronounced ICRA A four plus) for the Rs. 15.00 crore bank facilities of C.P. Arora Engineers-Contractors Pvt. Ltd. (CPA).

Rationale

The rating action takes into account delay in servicing of a loan not rated by ICRA. The delay was on account of stretched liquidity position of the company.

Outlook

Not Applicable

Key rating drivers

Credit strengths

Established track record of the promoters – CPA has been involved in road construction for more than 50 years. CPA is currently managed by Mr. Karun Arora (son of Mr. C.P. Arora) who has a long-standing experience in the road construction sector. The company primarily undertakes road construction projects for government entities and also for clients in the private sector, on a sub-contract basis.

Credit challenges

Recent delays in debt servicing – There has been delays in debt servicing by the company.

High utilisation of working capital limits and consistent dependant on unsecured loans from promoters – The Company utilises approximately 95% of its total working capital limits and is consistently dependant on unsecured loans from promoters to fill any funding gap.

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodologies as indicated below.

Links to applicable criteria:

[Corporate Credit Rating Methodology](#)

About the company

CPA was incorporated in 2003 and was promoted by late Mr. C.P. Arora. His family members took over the running business of the proprietorship firm after his death. The company has been involved in road construction for more than 50 years. CPA is currently managed by Mr. Karun Arora (son of Mr. C.P. Arora) who has long experience in the road construction sector. The company primarily undertakes road construction projects for government entities (Public Works Department) and also for clients in the private sector, on a sub-contract basis. The company is also involved in various ancillary works, required for the completion of a road project, including construction of footpaths, walkways, cross drainage works, culverts, sewer lines, water supply lines, landscaping, and horticulture jobs.

In FY2018, on a provisional basis, the company reported profit after tax (PAT) of Rs. 2.7 crore on an operating income (OI) of Rs. 303.3 crore compared to a PAT of Rs. 2.4 crore on an OI of Rs. 341.9 crore in the previous year.

Key financial indicators

	FY2016	FY2017	FY2018 Provisional
Operating Income (Rs. crore)	537.8	341.9	303.3
PAT (Rs. crore)	5.6	2.4	2.7
OPBDIT/OI (%)	1.7%	2.7%	3.4%
RoCE (%)	11.2%	6.6%	7.5%
Total Debt/TNW (times)	1.5	1.4	1.2
Total Debt/OPBDIT (times)	6.8	6.6	5.5
Interest Coverage (times)	3.2	2.8	2.7

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years

Current Rating (FY2019)					Chronology of Rating History for the Past 3 Years			
Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating in FY2019 November 2018	Date & Rating in FY2018 December 2017	Date & Rating in FY2017 November 2016	Date & Rating in FY2016 January 2016	
1	Fund based Cash Credit	Long-Term	6.75	NA	[ICRA]C	[ICRA]BB (Stable)	[ICRA]BB (Stable)	[ICRA]BB (Stable)
2	Non-Fund based	Short-term	8.22	NA	[ICRA]A4	[ICRA]A4+	[ICRA]A4+	[ICRA]A4+
3	Unallocated	Short-term	0.03	NA	[ICRA]A4	[ICRA]A4+	[ICRA]A4+	[ICRA]A4+

*As on March 31, 2018

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

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Cash Credit	NA	NA	NA	6.75	[ICRA]C
NA	Non-Fund Based	NA	NA	NA	8.22	[ICRA]A4
NA	Unallocated	NA	NA	NA	0.03	[ICRA]A4

Source: Company Data

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